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Publications of the

Carnegie Endowment for International Peace

Division of Economics and History

John Bates Clark, Director

JAPANESE MONOGRAPHS

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EXPENDITURES OF THE SINO-JAPANESE WAR

BY

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ROOSEVEL
UNIVERSI

NEW YORK

OXFORD UNIVERSITY PRESS

AMERICAN BRANCH: 35 WEST 32ND STREET

LONDON, TORONTO, MELBOURNE AND BOMBAY

1922

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Expenditures of the Sino-
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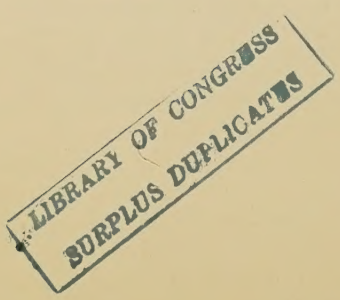

ROOSEVELT
UNIVERSITY

PRINTED IN THE UNITED STATES OF AMERICA
AT THE RUMFORD PRESS, CONCORD, N. H.

129593

DEC 19 1958

MAR 2 8 1986

NOTE BY THE DIRECTOR

The plans of the Division of Economics and History of the Carnegie Endowment for International Peace have been transformed by the World War. Problems now calling for study transcend in importance those with which this Division has been dealing and material for research and record so far transcends any that was formerly available that it will demand almost exclusive attention for some years to come. A new world has evolved suddenly out of the world which we knew and the transformation extends to the foundations of government and of economic life.

The process of warfare itself is now so unlike that of former days that many military rules of the past have gone into the scrap basket. The late war ended when its deadliest tools had barely been brought into action. The peoples have fought as they had worked, by machinery, mechanical and chemical engines of destruction have decided the result and will decide in like manner the result of all wars of the future. Machine shops and chemical laboratories will so largely determine what armies shall win that fighting strength will be as much a matter of available capital and of science in applying it as of numbers of troops and strategy in directing them. It is safe to say that the death dealing arts and instruments will far surpass in destructiveness those which made the late war so deadly, and to a soldier of the future the order to march into a cloud of poisonous gas and a whirlwind of missiles will resemble an order to plunge into the rapids of Niagara. This is one central and obvious fact which the war has taught us and it has many corollaries, some of which have to do with the increased costs of war and the importance of the particular resources that make a nation powerful for offense and defense; but there are less conspicuous economic facts which are more fundamental, since they may determine where and when, if at all, wars shall hereafter occur.

Causes of warfare are always partly economic and those which incited the recent one were mainly so. The business plans of a powerful state reached to the ends of the earth

and so crossed and interlaced the claims of other states that some writers, then and afterwards, pronounced the war inevitable. If we assume a settled purpose on the part of such a state to encroach on the rights of others, we may say that it doubtless was inevitable. The victory of the defending countries has saved them from an immediate and intolerable domination, but it can not be taken as an assured fact that similar attempts will never again be made. The economic inducement continues and the means may at some time be forthcoming.

Within the several states war has democratized industry, giving to labor an increase of control—a change that if continued will entail momentous consequences; but still greater effects have been produced on the relations of states to each other. The world as a whole has changed more than its component parts and the new relation of the parts to one another is the critical element in the situation. The great increase in the economic functions of governments is one cause of this condition. Within the great international community in which the several states are units extensive economic functions have gravitated into the hands of governments and caused them to face each other as business rivals and to deal with each other in a multitude of ways in which the merely self-seeking policy of private business is intolerable. Power to invoke principles of justice and international law as interpreted by a competent court has become an indispensable means of allaying strife and this fact exalts to supreme importance the high court of nations which has just been established. It magnifies also the importance of the economic facts and principles with which the law itself will have to deal. It is not merely individual men or private corporations who now meet each other in the rough and tumble of a world-wide mart but states themselves, each representing its own population and seeking to foster its interests as a zealous and faithful agent. The chances of friction that are inherent in ordinary commerce inhere today in vast international transactions and will increase in the measure in which the intercourse grows. All this means a

great increase in incentives to warfare, on the one hand, and in the motives for preventing it, on the other. Private commerce unites more than it separates those who participate in it, and it remains to be seen whether international commerce will act in the same way; but, in view of what modern war means, the human race will deserve to perish, and much of it will probably do so, if the forces of strife are allowed to get the upper hand. Whether they will or not—whether the recent economic changes will tend to reduce warfare or to increase it—depends on the ability of nations to create and maintain the instrumentalities that in the new state of the world are necessary.

Certain it is that the feeling which prevails today, the world over, is not one of security. The dread of further war is greater than it was before 1914. In some areas war still prevails, in others peace is held by a precarious tenure and in all it can be firmly established only by conscious and intelligent action by the states themselves. Mere exhaustion holds war dogs temporarily in leash, but it will take more than that to tame them as they must be tamed if peace is to endure.

We here confront a wide difference between the several states in comparative desire for peace and disposition to maintain it. One portentous fact is the grim determination of Russian communists to extend their system by crude force from state to state. Bolshevism is government by the few and largely the bad masquerading as government for and by the people. In its mother country, Russia, the economic measure by which it began its career was confiscation of private wealth—in itself an ultra-democratic measure. If this had brought in a true communism, it would have been a ruthless and unjust measure for creating a peace-loving state. A just and orderly democratizing of industry in the several states would give new strength to the forces of peace, and it would be highly improbable that any state so influenced would try to extend its system over foreign countries by military invasion. Democracy, socialism, communism and bolshevism all appear in the aftermath of the war. The first of

them makes for future peace and so does even the conservative element in the second, while all else in the series means certainty of civil strife and danger of international war.

The fact that during the war governments had to take on innumerable functions that were formerly in private hands has lent an impetus to socialism and to the perverted growths that have accompanied it, and it has created a new international system the meaning of which is profoundly significant, though he who runs can not so easily read it. There are dangerous features in the system which the war evoked and, happily for mankind, there are available safeguards which were evoked with them and need to be retained if human effort can do it.

By a compulsion that there was no resisting, the war forced the nations of the Entente into economic cooperation with each other. Commissions centering finally in the Supreme Economic Council adjusted in a harmonious way questions that would otherwise have led to rivalry and conflicting action in purchasing war materials, securing ships, apportioning food, controlling railroads, financing the war and doing a multitude of other things with the one common purpose of victory. The special compulsion of the struggle is over, but it has left an aftermath of issues grave enough to make peace insecure unless something equivalent to the Supreme Economic Council survives in full efficiency. The agency that did so much to win the war can do so much to prevent another one, but to that end it will have to be guided by economic principles and it is a saving fact that these still survive. The war has not abolished the law of demand and supply, though governments may forget it. In the coming era they must build better than they now know. Economic knowledge must either go in advance of action and prevent disaster or follow action and be learned from disaster. Beyond computation is the importance of attaining the knowledge and using it when evil impends and prevention is possible.

JOHN BATES CLARK,
Director.

NEW YORK,
September 27, 1920.

AUTHOR'S PREFACE

When Japan emerged from the old regime and instituted the present system of government at the time of the restoration of the governmental power to the Emperor, she was beset with many troubles both from within and without and the future destiny of the Empire seemed hanging in the balance. Yet, within no more than half a century, extraordinary changes have taken place and Japan has today become one of the great Powers, having developed her present state of national power and prosperity in that short period. Such a record is hardly paralleled in any other country. Japan's history, therefore, during the fifty years of the Meiji Era, has, it is needless to say, a unique place in the history of the world, while the Sino-Japanese War, which is treated in this book, has likewise an especially important position in this period of Japan's history. There are two reasons for assigning to it such special importance: one is the effect of that war upon Japan; the other is its special effect upon China and the various foreign countries which had interests in the Far East. I shall, for the sake of convenience, call the former the internal, and the latter external, effect.

The Sino-Japanese War was the first international war in which Japan had engaged since the restoration of Meiji. At first the people generally did not believe in the possibility of final victory, but fortunately for them the laurels were awarded to Japan at last. The nation then, for the first time, realized the latent power which she had been conserving since the restoration, and henceforth Japanism as opposed to the Europeanism of the ante-bellum period has been encouraged, and the nation has constantly planned for the development of this national power to the fullest extent. Now this new national consciousness may be considered as the internal effect of the war. At once Japan made remarkable progress in all directions. The enlightened measures adopted, together with

the resulting economic development, furnish materials for a valuable discussion of the effects of the war and for an authentic history of the nation's development in modern times. As for the external effect of the Sino-Japanese War, it had a special significance, in its exposure of the weakness of China. The loosening of the national bond of unity of China had long been foreseen by intelligent observers; but the Sino-Japanese War clearly showed the accomplished fact to the world. Consequently, both Europe and America, who have for many years kept watchful eyes upon enterprises in the Far East, realized that their opportunity was at hand. They vied with each other in efforts to secure concessions, so that Far Eastern affairs assumed special importance in reference to the world's political and economic questions. All this was a result of the Sino-Japanese War.

Such were the internal and external effects of this war. As for the economic effects, they too have been very great. They have completely changed the economic relations of the Far East. Consequently, a discussion of that war in its relation to Japan and especially to the economic conditions of the Far East will help greatly in making clear how the new situation in the Orient has been brought about. The value of such discussion is immeasurable. While, to be sure, this book does not go so far as to treat of the external effects of the war, yet, even as a discussion of the internal effects alone, the work forms a valuable history of the economic development of Japan. From this point of view it may be seen how important the Sino-Japanese War was in the economic development of Japan.

The author of this work, Mr. Keiichi Asada, has long served in the Department of Finance, where he has been actively engaged in work relating to money circulation and finance. The figures which are assumed as basis of the arguments in this book were obtained after careful investigation and are trustworthy in the highest degree. Today, any one who wants to make investigations of the same kind must depend upon the materials in the possession of the Department of

Finance. The author has made good use of these materials. And there is only one thing to regret. That is, that, on account of the limited scope of the present treatise, the author could not adduce additional figures in proof of his arguments. However, he has not failed to grasp the general principles underlying those figures, and to this fact the present editor, in his concluding remarks, desires cordially to attest.

GIICHI ONO.

TOKYO, JAPAN,
May, 1916.

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EXPLANATORY TABLES

Value of Japanese Currencies

Japan adopted the gold standard system in 1871, but the inconvertible paper money became principal currency a few years later. In 1886 the paper money became convertible into silver and after that date the Japanese currency system was the silver standard *de facto*, until on October 1, 1897, the gold standard system was legally adopted. The figures necessary to ascertain the value of Japanese currencies are given below:

(1) 1 gold *yen* (according to Coinage Law of 1871) contains 1.5 gramme pure gold.
(2) 1 gold *yen* (according to Coinage Law of 1897) contains 0.75 gramme pure gold.
(3) 1 silver *yen* contains 24.261 gramme pure silver.
(4) The value of 1 silver *yen* in the English currency (according to the demand rate of exchange on London in the average of the year) is as follows:

	s. d.		s. d.		s. d.
1874.....	4.02.0	1882.....	3.08.8	1890.....	3.04.5
1875.....	4.00.8	1883.....	3.07.9	1891.....	2.02.6
1876.....	3.11.2	1884.....	3.07.9	1892.....	2.10.5
1877.....	3.11.7	1885.....	3.06.0	1893.....	2.06.7
1878.....	3.09.4	1886.....	3.03.2	1894.....	2.01.2
1879.....	3.08.0	1887.....	3.02.0	1895.....	2.01.3
1880.....	3.08.9	1888.....	3.01.0	1896.....	2.02.0
1881.....	3.08.4	1889.....	3.01.1	1897.....	2.00.4

(5) The value of 1 *yen* of paper money in the English currency (calculated on the basis of the above mentioned exchange rate and the quotations of the silver price in the Tokyo Exchange in the average of the year) is as follows:

	s. d.		s. d.		s. d.
1877.....	3.10.1	1880.....	2.06.4	1883.....	2.10.7
1878.....	3.05.6	1881.....	2.02.1	1884.....	3.04.3
1879.....	3.00.3	1882.....	2.04.5	1885.....	3.03.7

(6) 1 *ryō* (unit of value of the old currency system) was declared in the Coinage Law of 1871 to be equal to 1 *yen*.

Chronological Table

Meiji 1st	1868 A. D.	Meiji 15th	1882 A. D.
" 2d	1869 "	" 16th	1883 "
" 3d	1870 "	" 17th	1884 "
" 4th	1871 "	" 18th	1885 "
" 5th	1872 "	" 19th	1886 "
" 6th	1873 "	" 20th	1887 "
" 7th	1874 "	" 21st	1888 "
" 8th	1875 "	" 22d	1889 "
" 9th	1876 "	" 23d	1890 "
" 10th	1877 "	" 24th	1891 "
" 11th	1878 "	" 25th	1892 "
" 12th	1879 "	" 26th	1893 "
" 13th	1880 "	" 27th	1894 "
" 14th	1881 "	" 28th	1895 "

Chronological Table—(*Continued*)

Meiji 29th	1896 A. D.	Meiji 41st	1908 A. D.
" 30th	1897 "	" 42d	1909 "
" 31st	1898 "	" 43d	1910 "
" 32d	1899 "	" 44th	1911 "
" 33d	1900 "	" 45th / Taisho 1st	1912 "
" 34th	1901 "	" 2d	1913 "
" 35th	1902 "	" 3d	1914 "
" 36th	1903 "	" 4th	1915 "
" 37th	1904 "	" 5th	1916 "
" 38th	1905 "	" 6th	1917 "
" 39th	1906 "		
" 40th	1907 "		

Weights, Measures and Money

With English, American, French and German Equivalents

Japan	Great Britain	U. S. of America	France	Germany
Ri = 36 *Chō* = 2,160 *Ken* = 12,960 *Shaku*	2.44030 Miles	2.44029 Miles	3.92727 Kiloms.	3.92727 Kiloms.
Ri (Marine)	1.15152 Miles	1.15151 Miles	1.85318 Kiloms.	1.85318 Kiloms.
Square *Ri*	5.95505 Sq. Miles	5.95501 Sq. Miles	15.42347 Km. Carrés	15.42347 Quadrat Km.
Cho = 10 *Tan* = 100 *Se* = 3,000 *Bu*	2.45064 Acres	2.45062 Acres	99.17355 Ares	99.17355 Ar.
Tsubo = 10 *Gō* = 100 *Shaku*	3.95369 Sq. Yards	3.95367 Sq. Yards	3.30579 Centiares.	3.30579 Quadratm.
Koku = 10 *To* = 100 *Shō* = 1,000 *Gō* = 10,000 *Shaku*	4.96905 Bushels	47.65389 Gallons (Liq.) / 5.11902 Bushels (Dry)	1.80391 Hectolitres	1.80391 Hectolitres
Koku (Capacity of ship)	1/10 of one Ton	1/10 of one Ton	1/10 de Tonne	1/10 Tonne
Kwan = 1,000 *Momme* = 10,000 *Fun* = 100,000 *Rin*	8.26733 lbs. (Avoir.) / 10.04711 lbs. (Troy)	8.26733 lbs. (Avoir.) / 10.04711 lbs. (Troy)	3.75000 Kilogs.	3.75000 Kilogs.
Kin = 160 *Momme*	1.32277 lbs. (Avoir.) / 1.60754 lbs. (Troy)	1.32277 lbs. (Avoir.) / 1.60754 lbs. (Troy)	0.60000 Kilogs.	0.60000 Kilogs.
Yen = 100 *Sen* = 1,000 *Rin* = 10,000 *Mō*	2.0.582 s. d.	0.4984 Dollar	2.583 Francs	2.0924 Marks

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PART I

EXPENDITURES OF THE SINO-JAPANESE WAR

NOTE.—In the tables throughout this volume, fractions of *yen* greater than one half have been counted as a whole *yen* and the other fractions have been disregarded.

CHAPTER I

INTRODUCTION

Causes of the War

What the Balkan peninsula has so long been to Europe, the peninsula of Korea has for centuries been to the Far East—a "haunted palace" wherein lurked an unceasing source of danger to the peace of the Orient. With a vast empire more than four thousand years old as its immediate neighbor on the one side and the indomitable Empire of Japan on the other, it was not strange that the peninsula never gave birth to a strong or independent nation, for it is scarcely possible for small trees to flourish among giants of the forest.

With an area of some 75,000 square miles (almost as large as Italy) and a population of about 12,000,000 (more than that of Scandinavia) the country can not be regarded as insignificantly small; yet, overshadowed as it was by two great masculine powers on either side, it never evinced remarkable virility or greatness. The comparative smallness of the peninsula, however, has been the main reason why the rulers of the land were unable to maintain undisturbed relations with their neighbors or establish a stable government. Notwithstanding the fact that various monarchies arose in the peninsula from time to time, each in turn assumed a character either of half-hearted independence or of meek subordination, ever at the mercy of its more powerful neighbors whom it sought to humor by continual evasion, obsequiousness and adulation. No sacrifice of national honor or prestige was too great for the maintenance of a mere existence. Indeed it is scarcely too much to say that there never has existed any really independent government in Korea, as the feeble and fickle national entities of the peninsula have always wavered in uncertain existence through the political upheavals and changes constantly taking place on the Asiatic continent. It was this continued political instability of Korea that ren-

dered the country a menace to the peace and welfare of Japan and the whole of the Far East.

Even the Li dynasty, which five hundred years ago overthrew the kingdom of Korai, was unable to prove more permanent than its predecessors, following along in the same path of inconstancy and fluctuation. As its power declined from year to year it resorted to every possible temporizing expedient that suggested itself for the prolongation of its life. Japan, while she showed sympathy and sought to help Korea become a vigorous and independent power, free from disintegrating disturbances, was helpless to effect reform, as she always found her good offices ignored or treated with discourtesy.

In spite of the repeated misdeeds and incivility of Korean officialdom during the early part of the Meiji Era, Japan persisted in her policy of leniency and willingness to forgive, protecting the peninsula from aggression and leading all other nations in recognizing its independence by signing a treaty to that effect in 1877. But notwithstanding these efforts for peace and reform, the misguided officials of Korea gave this all-important question no consideration, but, on the contrary, devoted their time to internecine strife in following out their petty ambitions for higher authority, often engaging in perilous schemes for crushing their rivals. Thus, both the national and international affairs of the country were left to go their own way.

All this time China had been regarding Korea as a dependency of her own, and was interfering both directly and indirectly in the internal affairs of the helpless country. It was but natural, perhaps, that China should mistrust and dislike Japan's paternal attitude toward Korea and try by every means to prevent greater intimacy between them, a policy which finally culminated in the uprisings of 1882 and 1884. Each of these insurrections was due to a struggle for superiority between the Conservatives and Progressives, the one party siding with China and the other with Japan, time driving them farther and farther apart. Consequently after the

disturbances of 1884, in order to prevent an unwelcome conflict with China, Japan concluded the Treaty of Tientsin, which recognized and authorized equality of rights for both Japan and China in the peninsula. Nevertheless, China obstinately continued to regard Korea exclusively as her own dependency, thus paying little or no attention to the treaty. Having long maintained a footing in Korea, China now assumed an aggressive and menacing attitude, contriving so to complicate the situation as to render it intolerable to Japan. Apparently it was China's policy to subject Japan to insufferable pressure and leave her to take what course she would, knowing that the island empire could not continue to go on yielding step by step to the aggressor. Thus was laid the egg from which was hatched the Sino-Japanese War.

Historically, of course, there should have been no ground of conflict between Japan and China. Their relations from the earliest days had been those of friendly neighbors, having their common roots in similar doctrines as to government, nature of civilization, law, art, literature, religion and morality. In former times Japan had in many lines been a pupil of China, imbibing the virtues of early Chinese civilization which in ancient times was remarkably advanced. But with the incessant expansion of European activity in the Orient, Japan was well-nigh obliged to strike out for herself and soon left China far behind. Japan labored earnestly for the introduction of enlightened laws, form of government and mode of living; whereby she soon grew into a nation far superior to her former self and also to her big neighbor, from whom she had once been content to learn. Meanwhile, China remained unchanged, confined to the rut which she had trodden for thousands of years. Already separated by a narrow sea, the two nations now became separated by differences in civilization and national policy, the one aspiring to enjoy the best of western civilization, the other slumbering in antiquated Asiatic conventionalism. Consequently, though Japan had once regarded China as a great nation, she now could not but consider her as stubbornly conservative, incapable, and even

moribund; while China, on her side, looked upon Japan with contempt, as an upstart and a shallow imitator of western barbarians—in fact, a mischievous and diminutive empire that could accomplish nothing great. Thus estrangement grew ever more pronounced as the two countries fell further and further apart in thought and action, until at last the inevitable open conflict was seen to be close at hand.

Moreover, the natural pride and mutual suspicion of the two countries, of nearly equal strength, now tended to accentuate mutual hatred and jealousy and each began to take warning and prepare for a sudden rupture of relations. The Loochoo and Formosan questions, discussion of which we reserve for later treatment, would not have led to repeated failure of negotiations, and finally to trouble, had China and Japan been on friendly terms at the time. The unhappy estrangement was then far advanced and ever growing wider and deeper; and so, after the disturbances of 1882, Korea became the principal cause of dispute between Japan and China. The Togakuto affair only brought the trouble to a head, and showed that at some time in the future Japan would be forced to take up arms to settle her difficulties with China, to ensure reform in Korea, and peace in the Orient.

As the fate of Japan was bound up with that of Korea she could no longer endure the ever-increasing maladministration and degradation of the hermit kingdom. In addition, China's constant disregard of her treaty with Japan, especially after the Togakuto difficulty, her treating Korea as still a Chinese dependency, together with her attempts to intimidate Japan to gratify her own caprices, rendered conflict inevitable. Though Japan was well aware of the backward state of China, she yet had no desire to come to blows with so great and ancient a nation. Nothing but absolute necessity for the defense of her own existence would ever have induced Japan to take up arms against China.

In short, the Sino-Japanese War was a conflict between two civilizations that had grown too dissimilar to exist longer in harmony side by side; but the Korean question was its

immediate cause; and it was specifically the means whereby Japan sought to establish permanently her own independence and the peace of the Far East. In Japan sympathy with Korea was universal, coupled with a strong desire to check the arrogance of China by a chivalric blow. Doubtless, as in all wars, there were other contributory causes, for never in the history of the world has any country gone to war and undergone sacrifice of men and money merely for the sake of another nation! Definite proof of this contention could be advanced in examples beyond number. Japan's ultimate action against China was not without good cause for it was for the sake of her own existence and for Oriental peace. Now, we shall proceed briefly to review the historical relations between Japan and China, the immediate cause of the war, the disbursements consequent upon the war, and the economic effects of the war.

Historical Relations between Japan and China

The war between Japan and China brought to an end the dispute as to Korea, driving the Chinese forces permanently out of the peninsula; and furthermore it introduced Japan to the outer world, assigning her a new position among the powers. The war, moreover, exposed the weakness of China and hastened the decline of her territorial integrity. Soon afterwards she was compelled to submit to the German occupation of Kiaochow, to lease Port Arthur to Russia, Weihaiwei to the British and Kwangchow Bay to the French, all sweeping changes which occurred immediately after the war. Before that time there had been some aggression on the part of Western Powers in China, such as the Opium War, the Franco-British allies' capture of the Taku forts, and the Sino-French War; but these were insignificant compared to the inroads which took place after this war. Thus Japan opened the eyes of European Powers to possibilities in the Far East at a time when there was nothing in Europe to tempt their lust for territorial expansion.

Historically, as well as geographically, the Korean peninsula

has been the bridge by which Japan has always sought access to the continent of Asia; and at the same time she has always regarded it as a barrier to assure her territorial safety. It is clear from the pages of history that, as the unification of the empire became more firmly established and population expanded, the overflow ever sought relief in the direction of Korea. Expeditions to Korea by the Emperor Sujin, the Empress Jingo, Hideyoshi Taiko, as well as the argument for Korean invasion in the early part of the Meiji Era, are vivid experiences in the memory of Japan. In his history of Korea, Dr. William Elliot Griffis well says that it is impossible to discuss the history of the peninsula without taking Japan into consideration, just as one can not deal with medieval English history without including France. Having had so intimate an historical relationship with that country, the Japanese mind feels naturally both familiar with and friendly toward the Korea of today. From the dawn of Japanese history comes the tradition that Susano-no-Mikoto dispatched his son Iotake-no-Mikoto to Korea to occupy and rule Soshimori in the kingdom of Shiragi; and mythology suggests that Okuninushi-no-Mikoto transported from Korea the territory with which to extend the promontory of Kizuki in the Izumo Province. As there is usually some substratum of fact underlying tradition, we may infer that intercourse between Japan and Korea has been intimate and unbroken from earliest times. It would, therefore, seem but natural that Japan should occupy a part of Korea in establishing her relations with the continent of Asia.

As to China's relations with Korea, it must be remembered that that dynasty, as soon as it attained full power, invaded and oppressed the peninsula without mercy. Modern intimate relations between the two began about the year 1620, in the reign of the Emperor Tai Tsung of the Chin dynasty, after which time the Chinese practically exercised suzerainty over Korea and extorted tribute from her; yet, shrewdly enough, whenever any trouble arose over affairs in the peninsula, China tried to escape all responsibility, even to the extent of

denying her protectorate, while Korea in each case handed all the profits to her overlord. Although China thus formally denied her authority over the country, she never for a moment abandoned it in fact; and, consequently, when the trouble arose with Japan, the Chinese Government, having already lost her reputation for diplomacy, had no recourse but an appeal to arms.

The first trouble with foreigners came in 1865 when a French missionary was assassinated. Prince Heung-Sun, father of the then Emperor of Korea, better known as Tai-Wonkun, cast over the government the shadow of his blind nationalism; and when a Russian ship visited Wönsan, requesting permission to trade with Korea, the Prince asked the French missionary Bellenue to request the foreign vessel to leave the port at once. The missionary declined to interfere and the Prince, suspecting him of being a European spy, had him beheaded. When satisfaction was demanded by the French Legation at Peking the Chinese authorities endeavored to evade responsibility by replying that the peninsula was no longer a possession of China. In the following year, when the wreck of the *General Sherman* and the massacre of her crew on the banks of the Taidong River created international complications, China again tried to shift the responsibility, answering that she had no authority over Korea in matters relating to war and peace. Yet two years afterwards, when Japan sent an embassy to Korea for the purpose of acquainting the peninsular government with the Meiji Restoration and consequent political changes and also to renew friendly relations, the Koreans (being stirred up by China), suspected Japan's motives, and treated the embassy with disdain. In 1872 Japan brought to an end the practice of sending a tribute-bearing vessel from the Tsushima clan and proclaimed free commercial intercourse, stationing an official at Fusan for this purpose. But Prince Heung-Sun offered an unwarranted official insult which created universal indignation in Japan, where there arose a general demand for the chastisement of Korea. In the following year Count Soejima was dispatched

to China to request explanation of the offense and to ascertain definitely the exact relation between China and Korea; whereupon the Chinese Government denied, as before, that it was in any way responsible for Korea, saying that the peninsula was in no sense a vassal state.

Although the Japanese Government and people endured with remarkable patience the insults inflicted by Korea, the latter country in no way amended her attitude; and in August, 1875, when Lieutenant Commander Ryoka Inouye, who had been engaged in surveying operations on board the warship *Unyo*, anchored off the island of Kanghwa near Seoul, he was fired upon by the island forts. The Japanese ship replied and destroyed the forts as well as killing 35 of the garrison. Upon the affair being reported by the Commander to the Japanese Government, Japan immediately dispatched her men-of-war to Fusan, to protect the Japanese there. In 1876, an envoy was at once sent to demand satisfaction, the mission including Kiyotaka Kuroda as chief and Kaoru Inouye as vice minister. This embassy requested satisfactory settlement of the Kanghwa question and the opening of Korean ports to trade. Aritomo Yamagata, then Minister of War, proceeded to Shimonoseki with troops so as to be ready for any emergency. The repeated negotiations proved abortive and the embassy was about to abandon its fruitless efforts and return when suddenly Bokukeiju, a state councillor, and Goko, an interpreter, revolted against Prince Heung-Sun and insisted on opening the peninsula to trade, to which the Korean Government finally assented; and on February 26, 1876, a letter of apology was offered for the Kanghwa Island affair and a treaty of 12 articles signed, the main points of which were that (1) Korea was to remain an independent kingdom and enjoy relations with Japan on equal terms; (2) that both countries should be ready to exchange envoys at any time necessary; (3) that after 29 months Korea was to open two ports to trade, Japan having leave to station consuls there; (4) that Japanese navigators were to have permission to survey Korean waters; and (5) that cases of trouble

among the nationals of either country residing in the two open ports were to be settled by the officials of the nationals concerned.

The treaty being duly signed the Japanese representatives returned, and the Korean Government dispatched a special envoy to Tokyo to strengthen the friendship with Japan, while the latter created a legation in Seoul, sending Yoshikata Hanabusa as Chargé d'Affaires. In 1887 when the Korean authorities attempted to expel all foreign missionaries, the French Minister in Tokyo endeavored to have the Japanese representative in Seoul mediate for the relief of the missionaries, and the Japanese Government opened negotiations in the matter; but, discovering in the Korean reply phrases that indicated Korean acknowledgment to being a tributary state of China, Japan objected, and Korea reported the matter to China. As the Chinese reply contained similar contentions, Japan rejected that also. No further discussion was carried on, as Japan's treaty with Korea had already settled the matter of that country's independence.

Previous to this, in 1872, there had been trouble in Formosa, when some natives of Miyako Island, Loochoo, who had been cast ashore in Formosa, were murdered by the natives, the same crime being repeated in the following year on men from the prefecture of Oda. To avoid a repetition of such outrages, the Tokyo Government made Loochoo distinctly a Japanese possession, instead of allowing its ruler to pay tribute both to Japan and China as before, and dispatched Count Soejima to China to carry on negotiations. Up to this time about half of Formosa had been under Chinese rule, while the rest was abandoned to anarchy. China, as usual, endeavored to fight shy of responsibility, denying that she had any authority over the island. But alarmed by the overwhelming victory of the Japanese expedition to Formosa, involving, as it did, the surrender of numerous clan chiefs, China demanded the withdrawal of the Japanese forces. Japan refused to comply with the demand but after various negotiations agreed to evacuate on condition that China recognize Japan's sov-

ereignty over the Loochoo Islands and pay an indemnity of 500,000 *taels*.

In consequence of the increasing influence of Japan in Korea and the intimacy that now marked their relations after the settlement of the Kanghwa affair, as well as on account of Japan's firm attitude in regard to the Loochoo and Formosan questions, China began to feel uneasy and wished to check the further advance westward of Japan's influence. To achieve this object with some appearance of tact, China invited Occidental Powers into the peninsula, the United States being the first to be so favored. She even dispatched a warship of her own to bring over the American envoy, and it is said that Li Hung Chang himself drew up the articles signed by the United States and Korea. He, moreover, informed Prince Heung-Sun that to form a treaty with Western Powers was the best way to ensure the safety of Korea. Great Britain, Germany and other powers at once followed the American example. Here we see clearly the change of Chinese policy toward Korea. But notwithstanding all the efforts of Li Hung Chang to carry out his plans secretly, there was a sudden turn of affairs, which had its origin in the political disorder that occurred in Seoul in 1882.

In accordance with the treaty of 1876, Korea opened the port of Wönsan to trade in May, 1880, and proposed to open Chemulpo, to which Japan had sent a surveyor, in July, 1882. By this time Japanese influence was becoming dominant in the Progressive party in Korea and a strong organization was effected. In addition, important reforms were brought about in the military system of Korea, and Lieutenant Hori of the Imperial Japanese Army became instructor. The leaders of the Progressives were Kim Ok Kiun, Hung Tiyong Ou and Li Sai Ben, who had the sympathy and support of the leader of the Mins. The Conservatives were led by Prince Heung-Sun, who hated everything foreign and began an intrigue against the Japanese and the Progressive party. The Mins, who were members of the family of the Queen of Korea, had for many years filled the highest offices of state. The Con-

servatives now planned to drive out the Japanese, even if it required force. The native soldiery were deprived of proper rations until infuriated, and then were told all sorts of malicious stories about the Japanese. On pretext of punishing Min Ken Kwong, a member of the Min clan, for some slight offense against army regulations, a furious mob gathered and began to hunt the Japanese to death, and the legation was attacked. The Japanese Minister, Hanabusa, with over twenty of his fellow countrymen, fought his way out into the terrorized streets of Seoul and escaped to Chemulpo, where he embarked on a junk and was picked up by a British ship and taken to Nagasaki. This outbreak took place on July 23, 1882.

Upon receiving the report of the Japanese Minister regarding the affair, the government sent him back to Seoul on August 20, to demand an explanation of the King. In the meantime, Prince Heung-Sun had already assumed the reins of government and on the minister's arrival showed no sign of a conciliatory mood. The latter was, therefore, obliged to withdraw to Chemulpo. Then Li Hung Chang, fearing that Japan might either kidnap Prince Heung-Sun or dethrone the King in some plot with the Prince, dispatched a body of troops under Yuan Shi Kai, Bakeuchu and Teijosho to Korea, the intention being professedly peaceful. Under pretext of inviting Prince Heung-Sun to a friendly conference, the Chinese laid hands on him and spirited him away to China. On the Prince's departure, the scene changed in a flash. The Progressive party assumed office and a treaty was signed at Chemulpo on August 30, 1882. By this agreement the Korean Government had to apologize to Japan, and to permit the presence of Japanese troops in Seoul to protect the legation; the cost of furnishing as well as of repairing the barracks for the guard had to be borne by the Government of Korea. Japan agreed to withdraw the guard after one year from the signing of the agreement if she deemed it safe to do so. Other clauses of the treaty provided for the opening to trade of Wönsan, Fusan, and Chemulpo, etc., and the port of Yokaichin after a year, while the Japanese Minister and staff were

given permission to travel in the interior. It is significant that at this time Japan again acknowledged the independence of Korea, and consented to use in the treaty the date of the Korean calendar, which was the four hundred and ninety-first year from the founding of the dynasty. It was from that date also that the Korean national flag began to be used.

The action of the Chinese in abducting a Korean prince and detaining him at Tientsin could only be regarded as one more proof of China's desire to treat Korea as a subject state. From this time China endeavored by all means to associate herself with the home affairs of Korea, which finally compelled Japan to attempt to remove Chinese influence entirely from the peninsula.

In January, 1883, the Japanese Government sent Shinichiro Takezoe as resident minister to Korea, allowing him a legation guard in accordance with the rights conceded in the treaty of Chemulpo. At that time Yuan Shi Kai was also in Seoul, backed by a considerable force, and was laboring assiduously, through the efforts of Min, for the establishment of Chinese influence throughout the peninsula, Min on his part aiming at promoting his own personal interests with the assistance of China. The Progressive party, being thus left in the lurch by Min, looked to the Japanese Minister for sympathy and waited for a favorable opportunity to strike an effective blow at the Conservatives, who were then wavering considerably, owing to China's trouble with France over the Annam boundary question. On December 4, 1884, during an official dinner in Seoul to celebrate the opening of the Postoffice, the opportunity was seized by Kin Gyoku Kin, Bokueiko, and others of the Progressive party to attack Prince Min, who, together with several of the ministers of the Conservative party, was assassinated; they further endeavored to place the King's palace under guard.

The King having requested protection, a Japanese force under Minister Takezoe entered the palace and ensured safety. The next day a cabinet representing the Progressive party was formed, but at dawn on the succeeding day Yuan Shi

Kai, assisted by the remnant of Min's followers, attacked the palace. The Japanese force defended it, but in vain. They finally had to retire to the legation, the King taking refuge with the Chinese forces and a Conservative cabinet being installed. That night the Japanese Legation was assaulted and the minister, accompanied by his staff, together with Kim and Hung, fled for their lives to Chemulpo, leaving the legation in flames. The Japanese Government then dispatched Kaoru Inouye, Minister of Foreign Affairs, as plenipotentiary to Seoul for the settlement of the trouble. The Treaty of Seoul was signed on January 9, 1885, requiring an apology from Korea and the reconstruction of the legation and barracks at Korea's expense.

Thus the affair was settled as far as Korea was concerned. But China had still to be heard from; and for this purpose, Prince Itom, then Marquis, was dispatched to Peking, where he and Li Hung Chang drew up and signed the Treaty of Tientsin, on April 18, 1885. The treaty made no reference to the assault of the Chinese soldiery on the Japanese Legation at Seoul, but acknowledged the equal rights of both nations to send troops to Korea in case it should be necessary in the future. The clauses of the treaty provided (1) that China should withdraw all her troops from Korea, and Japan her legation guards, the withdrawal to take place within four months from the signing of the agreement, under pain of conflict. The Chinese troops were to withdraw by way of Masampo and the Japanese by way of Chemulpo. (2) Both countries agreed further to advise the King of Korea to train a modern army for the protection of the peninsula and the maintenance of order therein, and to have him employ foreign instructors for this purpose, neither country to send officers to fill the positions. (3) In the third place, it was agreed in the treaty that if in the future either Japan or China, or both, should have occasion to dispatch troops to Korea, they should open communication with each other as to the matter, and that when the cause requiring the entry of troops no longer existed, they were to be at once withdrawn from the country.

It was further stipulated that if any of the troops in Seoul should be guilty of improper conduct China should punish them on the production of indisputable evidence.

A general retrospect of the disturbance of 1884 shows that the Progressives were defeated on account of their too impetuous grasp of political power without sufficient forethought, and that the Japanese Minister was also somewhat rash in acceding too hastily to the King's request for protection, since the monarch did not sincerely trust him, but on the contrary sought refuge under the flag of China. Moreover, the minister took no immediate steps for the correction of the Chinese soldiers when they assaulted the legation and slew some of its guards. It was but natural, therefore, that Japan's influence should gradually decline, while China's continued to grow more and more throughout the peninsula. The Conservative party soon became dominant, under the Chinese Minister, Yuan Shi Kai. He brought his influence constantly to bear on Korean diplomatic policy and the Korean Government in turn was ever inclined to heed his counsel. The whole situation became unfavorable for Japan, and the general attitude of the people grew insolent and offensive toward all Japanese residents, especially toward those engaged in commerce and industry.

The most severe blow of the time to the Japanese was the issue of the *Bōkokurei* of 1889. In September the authorities of Kankyodo suddenly prohibited the resale and export of agricultural products without any previous notice to the Japanese consul, in spite of the clause in the treaty requiring such notice a month in advance. Although the same treaty clearly stated the necessity of drought or riotous disorder as the cause of such law, there was nothing of the kind. The loss inflicted upon the Japanese was quite heavy. Japan demanded the repeal of the measure and some indemnity, but her demand was left unheeded until January, 1893. Kin Gyoku Kin, the leader of the pro-Japanese faction, was assassinated about that time, during a quarrel between the sailors of a Chinese warship and some citizens of Nagasaki, and the

Japanese Government had to make humiliating concessions despite the fact that the fault was on the Chinese side. In this manner conditions began to obtain derogatory to Japan's interests.

The Korean Government brutally mutilated in public the body of Kin and exhibited it with immense gusto all over the country as an example of what should be the just fate of all traitors. The victim was called "the most vicious traitor Kin."

Just about this time (April, 1894) the revolutionary movement of Tong Haks began to spread fiercely over the peninsula, more especially in the provinces of Cholla and Chung-Chong. Although the Tong Hak belief was quite a foolish and superstitious one, supporters of the doctrine were found in every province of the country. As the population had long been suffering from the misrule of Min and were anxiously awaiting a change, they at once favored the Tong Hak movement. The first definite outbreak occurred at Ko-Po in the province of Cholla, where maladministration had been particularly oppressive; and three provinces south of the Kanko River unfurled the flag of insurrection. The Tong Hak leader of this rebellious force in the south was Zempojun, who repeatedly expelled the governmental force. Terrified beyond measure by the situation, the Korean Government sought the intervention of China through the mediation of Yuan Shi Kai. As Japan was in the throes of political turmoil in the Imperial Diet at the time, China assumed that it would not be easy for Japan to take much interest in foreign complications. Under pretext of guarding a tributary nation in her habitual manner, China sent troops into Korea, and this action she made known on June 7 to the Tokyo Government through her minister there. Japan at once denounced China's pretensions to suzerainty in Korea, and, in accordance with the treaty of Tientsin, informed China of her intention to dispatch forces to guard her legation and interests in the peninsula. Japan at once sent her troops from the 9th Army Division under Major-General Oshima, which, on account of

their irregular composition, were known as the Mixed Brigade. These troops marched into Seoul and Wönsan on June 13.

Previous to taking this action the Japanese Government, in sympathy with her unfortunate neighbor and in the belief that Korea's disorders would cause loss and have bad effects on both Japan and China, as these three countries border on each other so closely, had sent a friendly note to China, proposing that the two powers should cooperate in bringing about reforms in Korea, so as to avoid further complications between Japan and China and thus maintain peace in the Orient. China rejected the proposal, not deeming necessary the measures suggested, and not wishing to interfere in the internal affairs of Korea jointly with Japan. China insisted on the withdrawal of the troops of the two powers, saying that these were unnecessary, since the Tong Hak movement was already pacified. Thus China continued to assert her suzerainty over Korea in various ways and dreamed of making herself master of the Far East, while Japan continued as positively to refuse to acknowledge this overlordship.

Notwithstanding her earlier consent to a reformation of government under the guidance of Japan, when the latter was determined to bring about such reform even without the help of China, the Korean Government suddenly requested Japan to withdraw her troops, the action having been taken at the suggestion of China, who was always working behind the scenes. On July 20, the Japanese Minister at Seoul dispatched the following proposal to the Korean Government:

1. In accordance with the Seoul Convention of 1885 Korea shall at once reconstruct the barracks for the Japanese guard.

2. The Chinese forces now stationed in Korea under guise of protecting her as a dependency shall be immediately withdrawn, as Korea is an independent country.

3. If the foregoing proposals are not complied with by the 22d instant, Japan will proceed to carry out reform in Korea, even if she has to resort to force to accomplish it.

The Japanese authorities waited until the 23d; and as the reply demanded was not forthcoming, the Japanese

Minister overpowered the Korean guard, forcibly entered the King's palace and had an audience with the monarch. The King carefully explained the obstacles that had thus far impeded reform, expressed gratitude for the interest Japan took in the country, and pledged himself to an alliance with Japan as against China for the reformation of Korea. On the 26th the treaty with China, which acknowledged Korean dependence of that country, was repealed and a decree was issued requesting Japan to expel from the peninsula the Chinese troops stationed at Asan.

While these proceedings were under way in Seoul, China was trying to smuggle her Asan troops aboard a chartered English transport vessel and a Chinese warship, the *Kow-shing* and the *Tsao-Kiang*. The *Tsi-yuen* and the *Kwang-yi* of the Peiyang Squadron were to receive the two vessels and were steaming boldly out of Asan Bay when they met the Japanese warships *Yoshino*, *Naniwa* and *Akitsushima*, which had been keeping vigilant watch near Phung Island. The Japanese Government had not yet declared war, although her men-of-war had been preventing the enemy's transportation of troops, so the Japanese vessels patiently waited without firing. But the Chinese ships made no formal signal to them, and as the two fleets approached closer the *Tsi-yuen* suddenly opened fire on the *Yoshino*. Thus the Sino-Japanese War began at Phung Island on July 25, 1894. With surprising swiftness the Japanese ships closed in upon the *Kwang-yi* and put her out of action, forcing her into shallow water, while the *Tsi-yuen* fled to Weihaiwei with many of her crew killed. The *Kow-shing* was sunk and the *Tsao-Kiang* captured, so that victory was decisively on the Japanese side.

The Japanese troops invaded and conquered Songhwan on the 29th, while the Chinese troops at Asan escaped without exchanging a shot. On August 1 the Imperial Government issued a declaration of war, in which Japan showed clearly that China was deliberately taking aggressive measures without considering the calamities and afflictions that would follow in the Orient. The following is an extract:

Korea is an independent state. The country was first introduced to the comity of nations on the advice of and under the guidance of Japan. It has, however, been the habit of China to regard Korea as a dependency of her own, and both openly and secretly to interfere in her affairs. At the time of the recent civil disturbance in Korea, China dispatched troops thither, alleging the purpose to be that of affording succor to a suzerain state. Japan, by virtue of the treaty concluded with Korea in 1882, and looking to possible emergencies, caused a military force to be sent to that country. Desiring to procure for Korea freedom from the calamity of perpetual disorders, and thereby to maintain the peace of the Far East in general, Japan invited the cooperation of China to that end. But China, advancing various pretexts, declined the proposal. Thereupon Japan advised Korea to reform her administration so that she might be able to preserve order and tranquillity within her borders, and to discharge the duties and responsibilities of an independent state abroad. Korea had already consented to undertake the task. But China secretly and insidiously endeavored to circumvent and thwart Japan's purpose. Furthermore she procrastinated and tried to make warlike preparations by land and sea. Completing these preparations, she dispatched large reinforcements to Korea with a view to the forcible attainment of her ambitious designs, and even carried her arbitrary attitude and insolence to the extent of opening fire on Our ships in Korean waters. Plainly China's object has been to render it uncertain where the responsibility for the preservation of peace and order in Korea lies, and not only to weaken the position of that state in the family of nations (a position obtained for Korea through the efforts of Japan) but also to obscure the significance of the treaties recognizing and confirming that position. Such conduct on the part of China is not only a direct injury to the rights and interests of the Empire, but a menace to the permanent peace of East Asia. From the action of China it can only be concluded that from the beginning that country has been bent on sacrificing peace to the attainment of her sinister object. Under these circumstances, ardent as is our wish to promote the prestige of the country abroad by strictly peaceful means and methods, we find it impossible to avoid a formal declaration of war against China. It is Our earnest wish that by the loyalty and valour of Our faithful subjects peace may soon be permanently restored and that the glory of the empire may be augmented and ever stainless.

Progress of the Sino-Japanese War

The historical facts with regard to the question of Korean independence and the reformation of the government in that country, so necessary to an understanding of the cause of the war which began on July 25, 1894, have now been given in outline. The struggle continued for eight months, during which time Japan won a number of decisive victories one after another and was soon ready to march upon the capital of China. Whereupon the latter consented to peace by ceding territory and paying an indemnity, while Korea was made

independent of foreign interference, peace being restored on April 17, 1895.

It will now be in order to give a brief review of the progress of the war with China and to indicate the causes of the diplomatic troubles which arose after the war.

From the outbreak of the war to the battles of Ping-yang and the Yellow Sea

The battle of Phung Island on July 25, 1894, was preparatory to the great campaign at Ping-yang and the decisive battle of the Yellow Sea. The three Japanese warships, the *Yoshino*, a cruiser of 4,267 tons, the *Akitsushima*, a cruiser of 3,150 tons, the *Naniwa*, a cruiser of 3,709 tons, forming the First Flying Squadron under Rear Admiral Tsuboi, had been guarding the west coast of Korea against Chinese transports carrying troops to Korea. On July 25, when a Japanese flying column consisting of the above ships appeared off Phung Island, southwest of Chemulpo, the Chinese warships *Tsi-yuen*, a cruiser of 2,355 tons and the *Kwang-yi*, a gunboat which came from Chemulpo, came into view. As a state of belligerency had not yet arisen the Japanese commander naturally expected to meet the Chinese ships with the ordinary formality, but to his great surprise the *Tsi-yuen* at once and without warning opened fire on the *Yoshino* at 7.52 A. M., at a range of about 3,000 meters. Consequently the admiral of the Japanese fleet could do nothing but give orders to return the fire. No sooner had the two assailants been put out of action—the *Tsi-yuen* routed and the *Kwang-yi* driven ashore—than two other Chinese ships, the *Tsao-kiang* and the *Kow-shing*, a British boat, appeared, the latter transporting Chinese troops bound for Asan. While the *Akitsushima* was capturing the *Tsao-kiang*, the *Naniwa* ordered the *Kow-shing* to stop, at 9.15 A. M., but the land force on the vessel compelled the captain to continue the course back to Tako. The order to stop and follow the Japanese vessel was repeated several times, but, as the *Kow-shing* took no notice of it, the *Naniwa* pursued and sank her at 1 P. M. The captain and others were rescued.

Another battle at Songhwan was fought on July 29. In accordance with the request of the King of Korea on the 25th, the Japanese Minister Otori, at Seoul, at once sent for a force from the brigade headquarters at Manriso to expel the Chinese troops at Asan. The force proceeded to Soshajo, some seventeen miles north of Asan and only about two miles north of Songhwan, where the enemy had established themselves in a powerful stronghold. Songhwan is an important town on the Asan road. The Japanese brigade captured the place in short order while the troops at Asan fled without offering resistance. The Japanese force participating in this action consisted of four infantry battalions, one company each of cavalry, artillery and engineers, 3,000 infantry, 47 cavalrymen and 8 guns. The Chinese had 8 guns, 3,400 men and a number of noncombatants. The enemy's killed and wounded numbered 500, the result of 63 shells, 191 rounds of shrapnel and 67,801 rounds of cartridges fired by Japanese, while the latter lost 33 killed and 49 wounded.

It was after these two battles, one on land and the other on sea, that the Imperial Proclamation of War was issued, namely on August 1, and the Imperial Army headquarters were on September 13 moved to Hiroshima. The fact has already been mentioned that prior to the outbreak of war the Imperial Government endeavored to settle the dispute by peaceable means, dispatching a mixed brigade from the Fifth Division to Korea; but, seeing the hopelessness of such an attempt, the government abandoned the idea with the report of the battle of Phung Island on July 25.

According to reports reaching the Imperial Government the number of Chinese troops in Korea, mostly around Ping-yang, was more than 10,000 (including those that had fled from Asan), and the Mixed Brigade at Seoul was rumored to be in danger. For this reason the remainder of the Fifth Army Division, namely, the divisional headquarters and the Tenth Brigade, was ordered to Korea, on July 21, and on August 14 half of the Third Army Division, namely, the Fifth Brigade, was moved. Landing at Fusan and Wönsan they at

once marched on Seoul. Lieutenant-General Michitsura Nodzu, Commander-in-Chief of the Fifth Army Division, left Ujina on August 4, reaching Fusan on the 6th and Seoul on the 18th. The Japanese forces already in Korea namely, the Third and Fifth Army Divisions were formed into the First Army under General Yamagata, on September 1, with orders to drive the enemy out of Korea; but until the arrival of General Yamagata the command was taken by Lieutenant-General Nodzu, the Fifth Divisional Commander.

As to the Japanese forces already in the peninsula, the Oshima Mixed Brigade was at Ryuzan and Rintsushin, the Twelfth Regiment of the Tenth Brigade arrived at Wönsan on August 8, and the Fifth Brigade was expected there on the 26th —the former called the Sakryong detachment and the latter the Wönsan detachment. Half of the Tenth Brigade was scheduled to be at Chemulpo on the 23d. Considering the dispositions of the troops at his disposal, Lieutenant-General Nodzu set September 15 as the day for the general attack on Ping-yang. The Oshima Mixed Brigade was ordered to lead the attack, while the Sakryong and the Wönsan detachments were to descend from the north and the Main Division from the southwest, the total attacking force numbering 12,000 men and 44 mountain guns.

The Chinese force numbered 15,000 men with 29 mountain guns, 4 field guns and 6 machine guns, protected by 27 forts, 15 on the south, 5 outside of Taidong gate, 4 on the north hill without the wall and 3 on Mount Peony. The enemy put up an exceedingly stiff defense, aided by the natural fastness of the castled forts.

Against these fortresses and defense works the Japanese troops fought arduously, and finally succeeded in routing the enemy, the Sakryong and Wönsan detachments occupying Mount Peony after making desperate attempts to storm it. The stronghold fell on the 16th, the Japanese having lost 180 killed and 506 wounded, and having fired 680 common shells, 2,128 shrapnel and 284,869 rounds of ammunition. The Chinese losses were 2,000 men, including General Tso-Paok-

wai, while 600 were taken prisoners. Thus in two days Japan completely demolished China's foothold in Korea.

On sea the arms of Japan were also decisively victorious. On September 12 the Japanese squadron got wind of the presence of the Chinese squadron which was guarding transports near the Taidong and the Yalu Rivers, and on the 14th the Main Squadron consisting of the *Matsushima*, the *Chiyoda*, the *Fuso*, the *Itsuku-shima*, the *Hiyei* and the *Hashidate*, with the first Flying Squadron comprising the *Yoshino*, the *Takachiho*, the *Naniwa* and the *Akitsushima*, the third Flying Squadron comprising the *Tsukushi*, the *Akagi*, the *Maya* and the *Chokai*, together with a torpedo flotilla including the *Kotaka*, No. 22, No. 12 and the torpedo-depot-ship *Yamashiro*, accompanied by the *Kaimon*, the *Iwaki*, the *Amagi* and the auxiliary cruiser *Saikyo*, all proceeded toward Taidong and arrived at the mouth of river on the 15th. But finding no hostile ship there, the fleet left the *Tsukushi*, the *Maya* and the *Chokai* as well as the torpedo flotilla, the *Iwaki* and the *Amagi* at the river's mouth and set out northward. The contending fleets met on the 17th off Tamushan, when a brisk action of several hours ensued, lasting until dark. The Chinese fleet consisted of the *Ting-yuen* and the *Chen-yuen* in the center, followed by the *King-yuen*, the *Sai-yuen*, the *Ping-yuen*, the *Chih-yuen*, the *Lai-yuen*, the *Yang-wei*, the *Tsi-yuen*, the *Chao-yung*, the *Kwang-chia*, the *Kwang-ping* and three torpedo boats, the total displacement being 34,420 tons with a speed of from 11 to 18 knots. The Chinese had quick-firing guns, 70 below 30 c. m. and 9 below 12 c. m., as well as about 129 machine guns, and 31 torpedo tubes and two torpedo boats. The Japanese squadron, with the exception of the *Saikyo*, consisted of 11 ships representing 36,771 tons, with a speed of from 13 to 22 knots, equipped with 246 guns, 44 below 33 c. m., 190 quick-firers below 15 c. m., 29 machine guns and 37 torpedo tubes. Thus the Japanese fleet was superior in tonnage, speed and number of guns. Fighting with brilliant dash and courage the Japanese succeeded in sending the *Chao-yung*, the *Chih-yuen* and the *King-yuen* to the bottom,

while the *Yang-wei* was set on fire and the *Kwang-chia* blown up, the rest of the enemy's fleet suffering great damage. The Japanese lost not a single ship and had only 279 casualties.

The Chinese Peiyang Squadron was not completely destroyed in this battle, but it was practically disabled and deprived of fighting strength, without further power over Korean or home waters. Japan, on the contrary, obtained complete freedom of the seas, for transporting troops and provisions to China without much fear of molestation. By these two actions on land and sea China entirely lost her hold on Korea, while Japan saw before her a clear path by way of the province of Shingking to the capital of China. The progress of the war having thus early taken such a favorable turn, the spirits of the Japanese were correspondingly animated.

Parallel advance of the first and second armies and the sieges of Haicheng and Port Arthur

The first army in Korea was now instructed by the Imperial headquarters to expel all Chinese forces from Korea, and to obtain full control of Kiuliencheng, Fenghuangcheng, Haicheng and Liaoyang, and to form another army to take possession of Port Arthur and Weihaiwei so as to prepare for a decisive campaign in the territory of Liaotung with the coming of the spring of the next year. In preparation for this invasion of Chinese territory General Yamagata had been appointed commander-in-chief of the First Army Corps, so called to distinguish it from the other at Pyenyang. General Oyama was appointed commander-in-chief of the Second Army Corps on the day the welcome tidings of victory reached Imperial headquarters, and the two army corps were organized as follows:

First Army Corps
Commander-in-chief: General Count Yamagata
Third Provincial Division
Fifth Brigade
Sixth and Eighteenth Regiments
Sixth Brigade
Seventh and Nineteenth Regiments

Fifth Provincial Division
Ninth Brigade
Eleventh and Twenty-First Regiments
Tenth Brigade
Twelfth and Twenty-Second Regiments

Second Army Corps
Commander-in-chief: General Count Oyama
First Provincial Division
First Brigade
First and Fifteenth Regiments
Second Brigade
Second and Third Regiments
Sixth Provincial Division
Twelfth Mixed Brigade
Fourteenth and Twenty-Fourth Infantry Regiments
Second Provincial Division (did not take part in battle of Kinchow)
Third Brigade
Fourth and Sixteenth Regiments
Fourth Brigade
Fifth and Seventeenth Regiments
Special Besieging Corps (temporarily dismounted artillery regiment)

Each provincial division included two infantry brigades, one battalion each of cavalry, engineers, ammunitionists and transport men, one regiment of field artillery, with field telegraph corps, stretcher-bearers, medical corps and communication equipment.

The Tenth Brigade of the First Army attacked and reduced Wiju on the left bank of the Yalu River, completing their task by October 17, while the Hooshan fortress fell on the 25th and on the 26th the Chinese abandoned Antung and Kiuliencheng without combat, thus placing all Chinese defenses along the Korean boundary in the hands of Japan. Although the Chinese had at Kiuliencheng no less than 19,750

troops, with 81 guns, to Japan's 13,000 infantry, 350 cavalry and 78 guns, they were nevertheless so dispirited by the defeat at Hooshan that they fled from the castle without offering resistance. The Japanese casualties at Hooshan were 149; they fired 493 shells and 99,950 rounds of ammunition, and captured 78 guns with 4,400 rifles.

After the fall of Kiuliencheng on October 26 the Japanese forces divided into two, the Fifth Division marching on Fenghuangcheng and the Third Division on Takushan, across the Tatungkow. The enemy set fire to and evacuated Fenghuangcheng on the 29th; the Third Division captured Tatungkow on the 27th and Takushan on November 5, and on the 8th it came into direct communication with the Second Army Corps. Advancing from Takushan, the Third Army Division overwhelmed Yungancheng on November 18, fought an important battle near Taohotsuon December 11 and captured Chaimucheng on the following day. The same force reduced Haicheng on the 13th and thus opened the road between Kaiping and Liaoyang. As the fall of Haicheng was so vital to the Chinese, they made repeated counter attacks for the recovery of the fort, a fierce battle ensuing on December 19 at Konwasai near this castle. The Japanese force engaged numbered 3,960 with 30 guns, while the Chinese numbered 9,200, with 6 field batteries protected by natural strongholds. The battle lasted five hours, reddening the fallen snow. After five bayonet charges the Japanese troops forced the enemy to surrender, but only when on our side 69 had fallen and 339 been wounded. The number of shells fired was 1,383 and rounds of ammunition 65,241. The successive and decisive victories of the First Army Corps gave greater freedom for activity and achievement to the Second Army Corps.

To the Second Army Corps had been entrusted the reduction of Port Arthur, assisted by the First Army and the fleet. Between October 24 and 26 the First Division succeeded in safely landing at Huayuankow. Though Tatungkow and Takushan had not fallen at that time their fate was too well

assured for much attention to be given them. Consequently, the First Army was allowed to proceed with its mission alone, and the First Army Division faced the stronghold of Port Arthur. On the 6th the force captured Kinchow-ching on the way, driving the enemy into the road to Port Arthur. Most of the batteries near Talien Bay were silenced on the 7th by this First Division while the First and Second Armies came into direct communication on the following day and reached the point of attacking Port Arthur. With the fall of the batteries around Talien Bay, the commander-in-chief of the Second Army moved its disembarking headquarters from Huayuankow to Talien Bay. The Mixed Twelfth Brigade, landing at Huayuankow on November 7, was now brought to the army, in preparation for a general assault upon Port Arthur. On the 13th the number of the hostile garrison was estimated at about 12,000, besides some at Poolanteen, at the rear of the main fort; but it was thought that the First Division and the Mixed Brigade with the Special Besieging Corps would be sufficient for the reduction, without seeking the aid of the Second Division. The date of the attack was fixed for November 21.

Port Arthur was guarded on its eastern shore by Huangchinshan and attendant forts, with Mantonshan, 111 meters high, and several other forts on the western shore, while Sungshushan, 103 meters high, and Erhlungshan, 82 meters, with Chihuanshan, 126 meters, and Itzushan, protected the land approaches. Thus by these forts, a strong wall and 12,000 troops the fortress was well protected. Indeed the place seemed almost impregnable.

The First Division of the attacking force was ordered to assail forts Sungshushan and Itzushan, while the Mixed Twelfth Brigade was given the task of reducing Erhlungshan and Chihuanshan. After some sanguinary onsets Fort Itzushan was captured at 7 A. M. on the 21st, then Sungshushan and again Erhlungshan by 11.30 A. M. The defenses from the rear having been thus reduced the First Division had no difficulty in taking Port Arthur in the afternoon. The shore

fortresses of Huangchinshan and Mantoshan held out a little longer, but by the late afternoon and following morning they too had been silenced, and on the 22d the flag of the Rising Sun floated over the battlements of Port Arthur.

The forces which accomplished this great achievement consisted of 15 infantry battalions representing 59 companies, 3 squadrons of cavalry, 4 companies of sappers, 6 batteries of artillery with 30 guns and 8 batteries of field artillery with 48 guns; it was found that the Chinese participating were 9,500 on the land side with 18 pieces of heavy artillery, 48 lighter guns and 19 machine guns, while on the water front 3,200 men were engaged with the assistance of 58 heavy ordnance, 8 lighter guns and 5 machine guns, most of the force finally escaping to Kinchow. The Japanese forces suffered 288 casualties, firing 247 shells, 1,526 shrapnel and 179,562 rounds of ammunition.

Capture of Weihaiwei, in vicinity of Yingkow and the Pescadores

During the siege of Port Arthur the enemy made repeated attacks upon Kinchow-ching, which was a Japanese supporting point and guarded by only 3 infantry battalions and a section of cavalry. The attacks upon the supply depot on the following day by the enemy that had fled from Port Arthur were also successfully repelled and proved no obstacle to the main siege. On the same day this repulse was made, China intimated through the American Minister her desire for the cessation of war.

A part of the First Division of the Second Army Corps captured Poolanteen and Foochou on December 6, while the First Brigade of the First Division took Kaiping on January 10, previous to which the Third Division of the First Army had taken Haicheng, on December 13. Thus during the first half of January, 1895, the Third Division of the First Army Corps maintained full control of Haiching; and the First Brigade of the Second Army Corps at Kaiping swept the whole southeast area. As the Chinese forces were driven

back toward the line of Yingkow, Niuchwang and Tienchwangtai with Liaoyang at the right flank, they concentrated their men along this line and on Haicheng and made three furious attempts to regain it on January 17 and 22 and February 16. A point had now been reached where the two forces were face to face for the decisive issue.

The Imperial headquarters had organized a flying column consisting of the Eleventh Brigade, being the Thirteenth and Twenty-third Regiments, taken from the Second and Sixth Provincial Division of the Second Army Corps, which together with an artillery battery was dispatched on and after January 10, for the purpose of landing at Yungching on January 20 and attacking Weihaiwei, where the remnant of the Peiyang Squadron had been taking refuge. Landing at Yungching on the 20th, the forces at once faced about for Motienling and Huanglinchi, the former an elevation eastward of the entrance to the bay of Weihaiwei, facing the islands of Liukung and Jih. The force had four 24 c. m. guns, besides 64 heavy guns under 24 c. m., which it placed on the surrounding heights of Motienling; it received vigorous assistance from the Chinese fleet in the bay. The Japanese attack lasted but four hours, however, when the fortress yielded, the only remaining positions being the forts on the islands and in Weihaiwei itself. Our forces swept all the fortresses around the city of Weihaiwei on February 2, and by the 12th, as the result of the joint action of the army and navy, every Chinese ship in Weihaiwei had surrendered, and the Japanese forces were complete masters of Weihaiwei.

The Chinese forces participating in this part of the campaign numbered 12,000 troops, and 15 warships of the Peiyang Squadron aggregating 30,250 tons. The warships were transferred to Japanese command and the captured crews were delivered under pledge as noncombatants. Having accomplished its task so successfully most of the Japanese force in Shangtung returned to the peninsula of Kinchow by March 1.

During the middle of February the Third Division of the

First Army which had been left on guard at Haicheng, and the Fifth Division of the First Army, which had been left at Kiuliencheng, braved the freezing temperature and marched north, capturing Anshantan on March 2 and Niuchwang on the 4th. The First Division of the Second Army at Kinchow also invaded Yingkow and took it on the 6th, and then these detachments of the two army corps reunited and approached Tienchwangtai.

The Japanese forces taking part in the siege of Tienchwangtai consisted of the First,Third and Fifth Army Divisions, involving 21 infantry battalions, 6 companies of cavalry, 14 batteries of field artillery and 5 companies of engineers with 54 field guns, 30 mountain batteries and 7 mortars. The total force numbered more than 19,000. This was the largest force participating in any single battle of the campaign on the Japanese side. The attack opened on March 9 simultaneously from three directions, the Third Division occupying the center, with the Fifth on the right and the First on the left. The enemy numbered more than 20,000, with 40 guns, and they put up an exceedingly stubborn defense. But it was impossible to resist the terrific onset of the Japanese forces from three sides, and the fort was taken on the very day of the attack. After this defeat the Chinese lost all hope of regaining Port Arthur, a hope which they had ardently cherished since their first attack on Haicheng. The combined operations of the First (Third and Fifth Divisions) and Second (First Division) Army Corps were then completed for the present and they began to plan a campaign in the direction of Chihli.

The Imperial headquarters in the meantime had already planned for the occupation of the Pescadores, even before the capture of Weihaiwei. For this purpose an expedition southward was planned, and as soon as the enemy's fleet was no more and Japan was master of the Gulf of Pechili, a mixed column of 3 battalions and a mountain battery left Sasebo on March 15, convoyed by the Southern Squadron, which had been commissioned for the purpose, consisting of the *Mat-*

sushima, the *Hashidate*, the *Itsukushima*, the *Chiyoda*, the *Yoshino*, the *Naniwa*, the *Takachiho*, the *Akitsushima* and the *Izuki*. The islands were duly occupied.

Preparations for attack on Peking

It will be seen that Japan became master of the Gulf of Pechili on September 17, 1894, as the result of the Yellow Sea fight, and Port Arthur on November 22, and was in possession of the whole territory east of the Liao River by March 9, 1895. The Peiyang Squadron was vanquished on February 12, 1895, and Weihaiwei taken; and as the Pescadores yielded on March 26, nothing remained to prevent Japan from transporting her forces across the Gulf of Pechili. In the early days of March the Imperial headquarters projected a campaign into the province of Chihli by reorganizing the various army corps already mentioned. The Second Army Corps was to include the Imperial Guards, the Second, the Fourth and Sixth Divisions, and it was to concentrate its main efforts on the taking of Shanhaikwan. The First Army Corps, including the First, Third and the Seventh Extraordinary Divisions, was commanded to march into and occupy the plains of Chihli. Thus the entire force consisted of seven divisions with about one-third of the whole second reserve. Although this force had to meet a Chinese army of more than 200,000 it nevertheless felt superior, as it doubtless was, in comparison of numbers.

H. I. H. General Prince Komatsu, Chief of the General Staff, was appointed commander-in-chief of the reorganized army, and was to have left Ujina, a port near Hiroshima, on April 13, establishing his headquarters at Shanghaiwan when taken, and from there to promote the attack on Peking. All such plans were then suddenly arrested by the arrival of proposals of peace.

Reconciliation

The first suggestion of such a proposal came on November 22, the date of the attack on Port Arthur, but it ended fruit-

lessly. China sent a representative to open negotiations on January 31, 1895, but there being some defect in his commission, leaving him without full powers, no conference could be held and he returned to Peking. On March 14 Li Hung Chang came to Shimonoseki as the fully accredited representative, and negotiations were opened on the 20th; a treaty of peace was signed on the 17th of April, the exchange of ratifications taking place on May 8. By this treaty China agreed to recognize the independence of Korea, to cede Formosa, the Pescadores and the Liaotung peninsula to Japan, to open the ports of Shashih, Chungking, Soochow and Hangchow to Japanese commerce and to pay to Japan an indemnity of 200,000,000 *taels*. Thus Japan's aim in opening the war was attained and peace was restored in the Orient.

After Japan's occupation of the Formosan Island the natives became more restive than before. Consequently the government dispatched the Imperial Guards and the Fourth Division, which carried out expeditions in various parts of the island for the subjugation of the savages and of the rebellious elements. This operation, however, need not be further dwelt upon, since it formed no real part of the Sino-Japanese War.

Unreasonable interference by Russia, Germany and France: political turmoil in the Far East

But scarcely had peace been restored when Japan had to face and submit to partiality and injustice, on April 23, on the part of Russia, Germany and France, in being obliged to abandon the Liaotung peninsula, on the pretext that her occupation of continental territory would be prejudicial to the peace of the Orient. Japan had purchased it with the tears and the blood of her sons, but she was compelled to relinquish it for nothing. So potent a three-fold interference she was not prepared to resist. By this action Japan was humbled to the dust, a fact which it is well to note carefully. The three powers contended that the peninsula under the Japanese flag would prove a constant source of trouble in

East Asia. Japan yielded and abandoned the Liaotung peninsula on May 10 and the three powers had their way. But did matters remain as they had contended they would? They ousted Japan and walked into her possessions themselves. Germany leased by force the Bay of Kiaochow on March 6, 1898, Russia leased Port Arthur and Talien on March 27 of the same year, and on June 1 Britain got Weihaiwei. France could not be left out, and she got a treaty signed to lease Kwangchow Bay on November 16 of the following year. Thus the four powers, under pretext of leasing bases, started the disintegration of China. It was indeed a shrewd and ingenious means of snatching the prize which Japan had purchased with her blood and was soon after forced to forswear. In name it was an act of leasing; in reality it was an act of occupation. We have no desire to misrepresent or to confuse issues, but to state the simple truth as to the action of the powers. It is the practical rather than the theoretical side of the matter that Japan has to consider. She must be governed by facts, not by names. It was indeed something Japan found, and still finds, impossible to understand: that these powers should have compelled her to relinquish her new possession and then have proceeded to occupy it themselves.

CHAPTER II

DISBURSEMENTS OF THE WAR

General Survey of Expenses

The Sino-Japanese War opened on July 25, 1894, when Japanese warships were fired upon in the Hoto offing; and peace was restored by the Treaty of Shimonoseki, signed on April 17 of the next year. The space of war time extended about nine months (including the Formosan expedition). The number of officers and men participating on the Japanese side was more than 240,000, together with some 6,495 civil officials and officers and some 100,000 laborers. The number of warships engaged was 28, representing a displacement of over 57,600 tons, with 24 torpedo boats aggregating 1,475 tons. The theater of operations extended about 268 miles east and west, and some 1,269 miles north and south, covering about 14,280 square miles of battleground in Manchuria, 18,445 square miles in Korea, 892½ square miles in Shantung and 5,652½ square miles in Formosa, or about 39,270 square miles in all. As it was an oversea war, the cost was comparatively large. The total outlay has been put down at 235,866,055 *yen*, the period of disbursement running from 1894 to 1903, as tabulated on the following page.

The actual total outlay for the war came to 233,523,252 *yen*, including the sum of 135,553 *yen* spent after 1903, which will be accounted for later on. The total may be tabulated under (1) War Office, 194,777,467 *yen* and (2) Naval Office, 38,745,785 *yen*.

Moreover, administrative expenses arising out of the war increased the outlay by 2,478,354 *yen*, bringing the total up to 236,001,606 *yen*, which will be analyzed according to disbursements in due course.

GENERAL SURVEY OF EXPENDITURES, 1894–1903[a]

Fiscal years	Foreign office	Home office	Treasury office	War office	Naval office	Judicial office	Communication office	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1894	244,479	148,059	182,144	164,520,371	35,955,137	...	140,949	715,631
1895	63,352	94,430	1,082,344			764	....	201,716,398
1896	....	....	162,301	20,415,279	1,449,760	...	....	22,027,340
1897	....	139,226	174,769	5,915,563	608,260	...	....	6,837,818
1898	....	32,848	12,651	3,025,960	349,071	...	....	3,420,530
1899	....	....	35	254,421	124,016	...	....	378,472
1900	....	....	2	173,742	256,812	...	....	430,556
1901	....	....	....	185,909	2,702	...	....	188,611
1902	....	....	....	78,754	30	...	....	78,784
1903	....	....	....	71,915	....	...	....	71,915
Total	307,831	414,563	1,614,246	194,641,914	38,745,788	764	140,949	235,866,055

[a] The expenditure of both army and navy was regarded in each case as a special account for the fiscal period from June 1, 1894, to March 31, 1896, and it therefore could not be reckoned in two fiscal years, like other accounts, being termed a "special account for war purposes."

Cost of the War

The total amount of actual expense for the Sino-Japanese War has been set down above at the figure of 233,523,256 *yen*, which, as has already been stated, represents the outlay by army and navy from June 1, 1894, which was before the war broke out, to March 31, 1896, together with certain further disbursements after the war for readjustment of affairs entailed by the war, compilation of war history and sundries. The outlay in detail of the War and Navy Departments may be seen from the following tables:

Expenditures of War Office, 1894–1903 [a]

Fiscal years	Extraordinary military affairs	After-war adjustments	Compilation of war history	Grant of lump sum	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1894 } .... 1895 }	164,520,371	....	....	....	164,520,371
1896.....	20,415,279	....	....	....	20,415,279
1897.....	5,915,563	....	....	....	5,915,563
1898.....	3,025,960	....	....	....	3,025,960
1899.....	22,136	56,548	50,540	125,197	254,421
1900.....	4,795	35,766	50,695	82,486	173,742
1901.....	67	19,560	42,593	123,689	185,909
1902.....	....	9,836	31,810	37,108	78,754
1903.....	....	...,	43,845	28,070	71,915
Total...	193,904,171	121,710	219,483	396,550	194,641,914

[a] Between the years 1904 and 1913 additional expenses in relation to the war were incurred as follows:

	Yen
Compilation of War History and Statistics	61,430
Grant of lump sum	74,124
Total	135,554

When this outlay is added to the total outlined above, the grand total for the War Office will be 194,777,468 *yen*.

EXPENDITURES OF NAVAL OFFICE, 1894–1902

Fiscal years	Extraordinary war funds	Compilation of war history	Lump sum grant	Total
	Yen	*Yen*	*Yen*	*Yen*
1894 1895	35,955,137	....	....	35,955,137
1896	1,449,760	....	....	1,449,760
1897	608,260	....	....	608,260
1898	314,744	....	34,327	349,071
1899	122,585	....	1,431	124,016
1900	253,513	3,094	205	256,812
1901	1,602	....	1,101	2,703
1902	....	....	30	30
Total	38,705,601	3,094	37,094	38,745,789

Analyzing the accounts of the War Office and the Naval Office, the items include arms, ammunition, supplies for troops and transportation of troops and provisions, as follows:

DETAILS OF EXPENDITURES OF WAR AND NAVAL OFFICES

Items	War Office	Naval Office	Total
	Yen	*Yen*	*Yen*
Arms and ammunition	32,603,214	31,850,170	64,453,384
Supplies for troops	91,979,606	3,980,079	95,959,685
Transportation of troops and provisions	41,371,365	1,308,760	42,680,125
Accessories to cost of war	27,949,985	1,566,588	29,516,573
Miscellaneous expenses	873,297	40,188	913,485
Total	194,777,467	38,745,785	233,523,252

The above items, omitting those already explained, are further analyzed in the tables on pages 39–42.

EXTRAORDINARY WAR EXPENSES OF THE WAR OFFICE, 1894–1901

Items	June 1, 1894–March 31, 1896	Fiscal year 1896	Fiscal year 1897	Fiscal year 1898	Fiscal year 1899	Fiscal year 1900	Fiscal year 1901
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Supplies for troops:							
Salaries and allowances	15,393,744	695,820	143,411	101,976	....	....	....
Provisions	24,875,825	739,809	112,938	94,251	....	....	....
Clothing	20,836,651	2,283,075	110,265	78,983	....	....	....
Wounded	1,445,021	153,849	12,187	13,714	....	....	....
Traveling expenses	3,174,086	389,079	79,744	41,402	....	....	....
Wages	18,384,435	2,150,663	388,273	274,390	6,015	....	....
Total	84,109,762	6,412,295	846,818	604,716	6,015	....	....
Arms and provisions:							
Arms and ammunition	11,213,766	1,179,015	224,000	90,578	....	....	....
Horses	7,788,896	75,766	12,095	13,328	....	....	....
Camp utensils	866,166	56,567	4,216	727	....	....	....
Construction	5,632,382	934,342	361,644	451,860	....	....	....
Purchase of steamships	3,697,866	....	....	....	....	....	....
Total	29,199,076	2,245,690	601,955	556,493	....	....	....

EXTRAORDINARY WAR EXPENSES OF THE WAR OFFICE, 1894–1901—*Continued*

Items	June 1, 1894–March 31, 1896	Fiscal year 1896	Fiscal year 1897	Fiscal year 1898	Fiscal year 1899	Fiscal year 1900	Fiscal year 1901
Transportation:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Post and telegraph	553,304	61,853	16,664	10,175	54	....	....
Transportation	33,953,198	2,210,080	93,427	35,771	....	....	....
Construction of submarine cable between Osumi and Formosa	1,247,769	1,527,977	450,737	104	....	....	....
Construction of signals and lighthouses on Formosan route	128,983	341,427	....	....	....	....	....
Construction of military water works at Hiroshima	10,820	215,027	345,821	68,176	....	....	....
Investigation of constructing harbor and railway in Formosa	7,925	82,074	8,846	1,153	....	....	....
Total	35,901,999	4,438,438	915,495	115,379	54	....	....
Accessory cost of war:							
Miscellaneous expenses	3,963,587	783,977	90,789	59,085	1,373	....	....
Miscellaneous business	2,058,508	258,281	50,406	37,693	....	....	....
Secret Service funds	369,283	6,965	25,200	1,127,700	8,100	....	....
Bureau of civil administration	200,244	....	....	....	....	....	....
Extraordinary grand festival of military shrine	10,000	....	....	....	....	....	....
Government of Formosa	2,420,045	217,790	71,367	104,405	....	....	....
Lump sum grant	6,226,491	5,969,791	3,310,951	416,084	....	....	....
War medals	61,377	82,052	2,582	4,403	6,594	4,795	67
Total	15,309,535	7,318,856	3,551,295	1,749,370	16,067	4,795	67
Grand total for war office	164,520,372	20,415,279	5,915,563	3,025,958	22,136	4,795	67

EXTRAORDINARY WAR EXPENSES OF THE NAVY OFFICE, 1894–1901

Items	June 1, 1894–March 31, 1896	Fiscal year 1896	Fiscal year 1897	Fiscal year 1898	Fiscal year 1899	Fiscal year 1900	Fiscal year 1901
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Supplies for sailors:							
Salaries and allowances	1,694,865	5,097	....	....	....	....	....
Provisions	1,179,301	170	....	....	....	....	....
Clothing	461,237	14,775	....	....	....	....	....
Medical treatment	46,152	....	....	....	....	....	....
Traveling expenses	256,049	704	289	....	....	....	....
Miscellaneous	310,881	9,551	1,008	....	....	....	....
Total	3,948,485	30,297	1,297	....	....	....	....
Arms and ammunition:							
Requisites for warship maintenance	4,176,712	145,623	....	....	....	....	....
Arms, ammunition and torpedoes	10,079,750	325,267	20,559	....	....	....	....
Warships	12,825,830	738,060	419,369	308,616	117,535	251,400	....
Repairs	806,134	89,541	51,030	....	....	....	....
Special supply of war material	233,995	....	....	....	....	....	....
Construction of temporary arsenal	1,260,749	....	....	....	....	....	....
Total	29,383,170	1,298,491	490,958	308,616	117,535	251,400	....

EXTRAORDINARY WAR EXPENSES OF THE NAVY OFFICE, 1894–1901 — *Continued*

Items	June 1, 1894–March 31, 1896	Fiscal year 1896	Fiscal year 1897	Fiscal year 1898	Fiscal year 1899	Fiscal year 1900	Fiscal year 1901
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Transportation:							
Transportation	1,282,913	13,653	185	....	....	....	....
Survey of lighthouse sites	12,009	....	....	....	....	....	....
Total	1,294,922	13,653	185	....	....	....	....
Accessory cost of war:							
Convicts	138	....	....	....	....	....	....
Office expenses	228,243	8,536	1,813	....	....	....	....
Miscellaneous business	21,275	13	....	....	....	....	....
Secret service funds	106,880	....	....	....	....	....	....
Lump sum grant	955,704	94,452	108,216	....	....	....	....
War medals	16,104	....	....	....	....	....	....
Compilation of war history	213	4,318	5,789	6,128	5,051	2,113	1,602
Total	1,328,557	107,319	115,818	6,128	5,051	2,113	1,602
Grand total for Navy Office	35,955,134	1,449,760	608,258	314,744	122,586	253,513	1,602

SUMMARY

Items	June 1, 1894–March 31, 1896	Fiscal year 1896	Fiscal year 1897	Fiscal year 1898	Fiscal year 1899	Fiscal year 1900	Fiscal year 1901
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Total War Office	164,520,372	20,415,279	5,915,563	3,025,058	22,136	4,795	67
Total Navy Office	35,955,134	1,449,760	608,258	314,744	122,586	253,513	1,602
Grand total[a]	200,475,506	21,865,039	6,523,821	3,340,702	144,722	258,308	1,669

[a] Revised grand totals for years June 1, 1894–March 31, 1903, are: War Office, 193,904,171 *yen;* Navy Office, 38,705,597 *yen;* total, 232,609,768 *yen.*

Increase of Administrative Expenses Due to the War

As already mentioned, the total increase of administrative expenses directly caused by the Sino-Japanese War was 2,478,354 *yen*, disbursed as follows:

	Yen
Foreign Office	307,831
Home Office	414,564
Treasury Office	1,614,246
Judicial Office	764
Communications Office	140,949
Total	2,478,354

The above expenses were only a little over 10.5 per cent of the total cost of the war; and the items of expense in detail for the above offices are tabulated on pages 44–46.

An extraordinary session of the Imperial Diet was convened in October, 1894, at Hiroshima near the Imperial headquarters, and extra rewards were given to contributors to the war fund in money or materials and to those who relieved distressed families of soldiers at the front.

EXPENSES OF FOREIGN OFFICE

Items	1894	1895	Total
	Yen	*Yen*	*Yen*
Traveling expenses	18,981	6,927	25,908
Miscellaneous	8,432	6,013	14,445
Dispatch of police to Korea	7,174	12,941	20,115
Allowance to diplomats and consuls in Korea	3,240	2,016	5,256
Reconstruction of legation in Korea	11,125	23,472	34,597
Repairing annex to legation in Korea	....	1,550	1,550
Reception of Chinese peace envoy	1,461	3,455	4,916
Miscellaneous	194,065	6,979	201,044
Total	244,478	63,353	307,831

EXPENSES OF LEGATIONS AND CONSULATES

Names of legations and consulates	Fiscal year 1894	Fiscal year 1895	Total
	Yen	*Yen*	*Yen*
Foreign office and legations abroad	218,645	21,918	240,563
Legation in China	1,016	....	1,016
Legation in Korea	13,140	27,040	40,180
Consulate at Hongkong	35	....	35
Consulate at Tientsin	1,297	....	1,297
Consulate at Chefoo	160	....	160
Consulate at Shanghai	2,075	641	2,716
Consulate at Fusan	2,028	1,506	3,534
Consulate at Chemulpo	3,551	5,588	9,139
Consulate at Seoul	2,131	6,124	8,255
Consulate at Gensan	402	535	937
Total	244,480	63,352	307,832

EXPENSES OF HOME OFFICE

Year	Special Session Imperial Diet	Korean affairs				Extra rewards	Total
		Home Office	Metropolitan Police Office	Prefectures	Hokkaido		
1894	994	4,475	122,051	16,434	4,105	....	148,059
1895	...	16,954	50,176	27,300	....	....	94,430
1897	...	....	....	....	....	139,226	139,226
1898	...	....	....	....	....	32,848	32,848
Total	994	21,429	172,227	43,734	4,105	172,074	414,563

Treasury Office [a]

Items	Fiscal year 1894	Fiscal year 1895	Fiscal year 1896	Fiscal year 1897	Total
Extraordinary war expenditures (auditing of accounts)	*Yen*	*Yen* 11,969	*Yen* 11,687	*Yen* 12,241	*Yen* 38,897
Korean affairs:					
(A) *Cabinet*					
Dispatches to Imperial headquarters	14,022	4,792	....	....	18,814
Dispatches to China	....	1,683	....	....	1,683
Dispatches to Korea	931	1,690	....	....	2,621
(B) *Treasury Office*					
Dispatches to Imperial headquarters	4,579	1,150	....	....	5,729
Dispatches to Korea	4,099	12,812	....	....	16,911
Dispatches to China and Korea	5,351	5,058	....	....	10,409
(C) *Dispatch of Privy Council to Imperial headquarters*	414	2,258	....	....	2,672
(D) *Dispatch to the front of auditors of public accounts*	2,422	1,241	....	....	3,663
(E) *Prize Court*	852	1,378	....	....	2,230
(F) *Higher prize court*	350	242	....	....	592
(G) *Manufacturing of military and commandeering tickets*	29,350	6,175	....	....	35,525
Total	62,370	38,479	....	....	100,849
War pensions	....	349,779	....	....	349,779
Extraordinary session of the Imperial Diet:					
Upper House	22,412	....	....	....	22,412
Lower House	25,794	....	....	....	25,794
Total	48,206	....	....	....	48,206
Furnishing of temporary Diet building:					
Upper House	12,729	....	....	....	12,729
Lower House	12,386	....	....	....	12,386
Total	25,115	....	....	....	25,115
Rewards:					
(A) Manufacturing of extra decorations and decoration certificate	28,348	286,399	65,876	....	380,623
(B) Manufacturing of extra prize cups	....	....	36,073	157,134	193,207
Total	28,348	286,399	101,949	157,134	573,830
Managing allowance extra war funds	....	76,121	....	2,504	78,625
Manufacturing of public loan bonds	18,104	319,597	45,665	2,890	386,256
Grand total	182,143	1,082,345	162,301	174,769	1,601,558
Expenses of manufacturing public loan bonds	....	....	....	....	[b] 12,688

[a] The expenditure of the Treasury Office in relation to the war was 1,614,246 *yen*, which sum included all expenses concerning the business of the Treasury Office and also some other expenses which were legally but nominally attached to the Treasury Office.

Expenditure after the fiscal year of 1898 was for rewards and the making of prize cups, amounting to 12,335.94 *yen*, and for printing public loan bonds in the same year: 314.80 *yen*, the following year: 35.50 *yen*, and in 1900: 2.25 *yen*.

[b] For the two fiscal years 1899 and 1900.

Judicial Office

	Yen
Fiscal year 1895	763

COMMUNICATIONS OFFICE [a]

	Yen
Communications office	90,523
Administrative office of light houses	41,415
Tokyo post and telegraph office	2,094
Osaka " " " "	2,985
Nagasaki " " " "	4
Hiroshima " " " "	2,337
Nagoya " " " "	837
Kumamoto " " " "	754
Total	140,949

[a] The outlay by the Communications Office during 1894 amounted to 140,949 *yen*, which represented the increased expenses caused by the war, fractions of *yen* being omitted.

CHAPTER III

SUPPLY OF WAR FUNDS

The expenses of the Sino-Japanese War, as already outlined, were about 235,000,000 *yen* in all; and of this sum the administrative outlay was mostly defrayed from reserve funds and surplus in the Treasury; but the amount expended on the war being very large, the sources thereof are hereafter described in detail.

The budget of revenue and expenditure relating to the expenses of the Sino-Japanese War, legally known as "extra war funds," was 250,000,000 *yen;* and the resources were mostly public loans and surplus funds in the Treasury, as well as a special account fund, but not from taxes. This was the beginning of war loans in Japan.

Before entering upon a description of the main source of supply for war funds, it may be well to describe the budget and total accounts relating to the "special account for war purposes."

REVENUE

	Budget	Fixed amount as receipt	Amount received
	Yen	*Yen*	*Yen*
First section, war funds.....	25,000,000	225,230,128	225,230,128
First subsection, war funds....	25,000,000	225,230,128	225,230,128

EXPENDITURES

	Budget	Mixed sum by Imperial sanction	Payment ordered
	Yen	*Yen*	*Yen*
First section, war funds.....	25,000,000	210,973,697	200,475,508
First subsection, war funds....	25,000,000	210,973,697	200,475,508

Of the expenditures above mentioned, the amount transferred to General Budget Account was 9,037,494 *yen*, the

unused portion of budget was 40,486,998 *yen*, and the unused portion of sum allowed by Imperial sanction was 1,460,698 *yen*.

The total fixed sum of the above revenue stood as follows (details of expenditures to be given later):

	Yen
Treasury Office	219,361,977
War Office	5,093,917
Naval Office	774,234
	225,230,128

The detailed items are as follows:

			Yen
First section, war funds			225,230,128
First subsection, war funds:		*Yen*	
Raising of public loan (Treasury Office)		116,804,927	
Transfer of the surplus fund of Treasury (Treasury Office)		23,439,087	
Contributed war funds (Treasury Office)		160,800	
Contributed relief fund to War Office		2,210,650	
Contributed relief fund to Naval Office		578,090	
Miscellaneous receipts:	*Yen*		
War Office	1,323,162		
Naval Office	196,143		
		1,519,305	
Receipts from occupied territory (War Office)		624,425	
Receipts from Formosa and Pescadores Islands		935,680	
Transfers to Special Account (Treasury Office)		78,957,165	
			225,230,128

As stated above, the extra war funds amounted to such an immense sum, that it was necessary to make arrangement for a special account, separated from general revenue and expenditure. In October, 1894, by Law No. 24 the "Special Account for War Purposes Act" was promulgated, as follows:

Article I. Finances for the extra war funds in regard to the affair with China and Korea shall be classified and adjusted separately from general revenue and expenditure.

Article II. All revenue and expenditure for extra war funds from June 1, 1894, until the termination of the war shall be regarded as included in one financial year.

The above articles were based on Article XXX of the law of accounts, according to Law No. 4 of 1889, which says that "in case it is difficult to follow the provisions of the present law on account of special requirements, a special mode of procedure may be allowed, but such special mode of treatment

must be effected by law." Therefore the expenditure allowed by this special law of finance was limited to war funds required by the War Office and the Naval Office. This special account was wound up at the end of March, 1896, in accordance with the first article of Law No. 10 of the same year relating to the special account for war purposes. Since then all expenditure incurred by the War Office and the Naval Office for extra war outlay was included in the general budget accounts.

Vote for war expenses

Extra expenses for the carrying on of Korean affairs were to be defrayed from the second reserve fund in the fiscal year 1894 (the amount being 950,000 *yen*, that is to say, $473,100). This second reserve depends upon the 69th article of the Constitution of Japan which reads as follows: "In order to supply deficiencies, which are unavoidable, in the budget, and to meet requirements unprovided for in the same, a reserve fund shall be provided in the budget." Article 7 of "the law of Finance" explicitly states that "the second reserve shall be used to meet necessary expenses unprovided for in the budget." At the same time, articles 16 and 17 of the Rule of Finance regulates its transaction and process. However, the cost proved so enormous that the second reserve was insufficient. Thereupon in June it was decided by Imperial sanction to utilize for war expenses a surplus of 26,000,000 *yen* in the Treasury, 3,000,000 *yen* of which, as may be seen from details already given, was a loan to the Korean Government. As the Chinese forces in Korea could not be put down by the troops of the Fifth Division, after the battles fought on July 25 and 29, at Phung Island and Songhwan respectively, mobilization took place, and the Imperial Declaration of War was issued on August 1, after which the Third Division was dispatched to the front and the First Army Corps organized, thus extending the sphere of operations and increasing the outlay beyond the resources of the surplus in the Treasury.

On August 15, 1894, Urgent Imperial Ordinance No. 143 was issued, in conformity with Article LXX of the Imperial Constitution, for the purpose of raising war funds, which provided for the transfer of funds included under special accounts, borrowing from banks or the raising of a public loan as an urgent measure. On the same day, by Imperial Ordinance No. 144, war loan regulations were issued, and it was decided to incur a debt of 50,000,000 *yen* with interest at 6 per cent or under per annum, the first portion raised being the sum of 30,000,000 *yen*.

On September 15, the Imperial headquarters were removed to Hiroshima; and on the 22d an extra session of the Imperial Diet was convened at the same place, which asked for a war budget of 150,000,000 *yen*, a bill being passed authorizing the flotation of a public loan of 100,000,000 *yen* at less than 6 per cent per annum. The mode of flotation, terms of issue and period of redemption and others were entrusted to the Minister of Finance.

Out of the total sum of 150,000,000 *yen* asked for, 59,996,-885 *yen* had already been spent in urgent necessity, by Imperial sanction, beginning with June, 1894; and consequently, approval of this action was asked for at the special session of the Diet, in accordance with Article LXIV of the Imperial Constitution. It was a time when the nation's patriotism and public indignation had reached a state of high tension and no hesitation was had in giving approval to the necessary outlay for the war, the sums spent by Imperial sanction and the war loan being voted for with enthusiasm; and the war budget was promulgated on October 23, 1894. Moreover, at the eighth session of the Imperial Diet in February, 1895, the Lower House passed the following resolution with regard to war expenses:

> With respect to the issue of an Imperial Rescript for the subjugation of China we deem it proper to say that we think the attainment of the object of the war and the avengement of the nation's honor still a great way off; and therefore it is hereby resolved that further disbursement of war expenses shall be approved to any limit required.

During 1894 and 1895 the war was at its height and peace nowhere in sight, so that 96,290,000 *yen* out of the 150,000,000 *yen* approved by the Diet was spent by Imperial sanction in the eight months from June to January, 1896; and with an outlay of about 11,000,000 *yen* a month for army and navy, the balance of the sum voted by the Diet could scarcely suffice to June, 1895. The government estimated that the sum of at least 100,000,000 *yen* would be required from July to December, 1895, and framed a supplementary budget accordingly. The measure was submitted to the Lower House on February 20 and authority for the raising of further war loans was given by both houses within a week, the supplementary war budget being issued on March 2, 1895.

Disbursements

The main resource for war funds was public loans and special contributions to war funds, special contributions for relief of army and navy men, transfers from surplus in the Treasury and from special account funds. The surplus from receipts and disbursements of the Treasury was deposited in the Bank of Japan either as a fixed or current account at reasonable interest, in accordance with Law No. 16, in June, 1894, at the beginning of the war; and disbursements from this account naturally caused an increase in the bank note issue, which was further accentuated by a government loan from the Bank of Japan and the transfer of the special account fund to the war fund. Thus the expenses of the war were covered by floating of loans and by increasing the issue of bank notes.

Monthly receipts for the Special Account for War Purposes were as follows: [1]

[1] Table does not in some parts correspond to the monthly receipt of war funds which will be described later, because it represents the sum received by the revenue officers, while the other was the sum paid into the cash office.

Before the setting aside of a special account for war purposes, the allotted amount for war funds from the general account was paid out in the first month from the surplus in the Treasury—26,000,000 *yen*—and the public loan and contributed relief funds are described in the following table according to the months they were actually received by the revenue officer.

MONTHLY REVENUE FOR WAR PURPOSES

Date	Surplus fund of Treasury	Public loans	Contribution to war funds	Contributed relief fund to army and navy	Miscellaneous revenue	Revenue from occupied territory	Revenue from Formosa and Pescadores Islands	Transfer of special account fund	Total
1894	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
June	26,000,000	....	....	....	....	....	....	....	26,000,000
July	....	....	....	5,836	....	....	....	....	5,836
August	....	....	....	175,238	....	....	....	....	175,238
September	....	2,500,000	....	347,444	....	....	....	....	2,847,444
October	....	500,000	....	420,371	....	....	....	....	920,371
November	439,086	5,241,090	100,000	254,546	1,807	....	....	....	6,036,439
December	....	7,241,300	60,800	276,854	10,566	....	....	....	7,589,520
1895									
January	....	2,795,000	....	280,688	83,203	....	....	....	3,158,891
February	....	6,480,100	....	321,011	5,045	....	....	....	6,806,156
March	3,000,000[a]	9,645,900	....	324,163	11,361	....	....	....	6,981,424
April	....	10,023,400	....	166,792	11,216	....	....	....	10,201,408
May	....	13,297,200	....	106,095	19,670	....	....	....	13,422,965
June	....	10,721,700	....	26,046	32,742	....	....	....	10,780,488
July	....	9,120,200	....	22,136	146,969	....	....	....	9,289,305
August	....	88,490	....	14,261	50,293	....	....	....	153,044
September	....	26,310	....	24,676	99,514	....	....	....	150,500
October	....	322,860	....	9,604	15,502	....	....	....	347,966
November	....	1,051,170	....	4,781	183,959	....	....	....	1,239,910
December	....	2,749,989	....	3,478	272,832	....	....	....	3,026,299

[a] Retransferred to General Account in order to lend sum to the Korean Government.

1896									
January	....	....	....	964	126,330	....	....	....	127,294
February	....	....	....	1,066	63,242	....	....	....	64,308
March	....	25,861,135	....	1,011	53,077	624,425	8,700	....	26,548,348
April	....	843,865	....	205	51,702	....	....	9,020,000	9,915,772
May	....	1,652,000	....	307	54,070	....	....	52,020,000	53,726,377
June	....	1,438,000	....	29	81,712	....	....	4,280,956	5,800,697
July	....	1,015,000	....	53	102,406	....	....	7,665,676	8,783,135
August	....	2,163,000	....	964	1,163	....	....	4,613,948	6,779,075
September	....	679,500	....	121	20,237	....	905,508	1,356,585	2,961,951
October	....	942,000	....	....	19,008	....	21,472	....	982,480
November	....	405,808	....	....	1,679	....	....	....	407,487
December	....	....	....	....	....	....	....	....	....
Total	23,439,086	116,804,927	160,800	2,788,740	1,519,305	624,425	935,680	78,957,165	225,230,128

The methods of raising war funds may be classified as follows:

PRIVATE SUBSCRIPTIONS TO PUBLIC LOANS AND WAR FUNDS

Date	Public loan	Contributed to war funds	Contributed to relief fund of army and navy	Total
1894	*Yen*	*Yen*	*Yen*	*Yen*
July	....	....	5,836	5,836
August	....	....	175,238	175,238
September	2,500,000	....	347,444	2,847,444
October	500,000	....	420,371	920,371
November	5,241,000	100,000	254,546	5,595,546
December	7,241,300	60,800	276,854	7,578,954
1895				
January	2,795,000	....	280,688	3,075,688
February	6,480,100	....	321,011	6,801,111
March	9,645,900	....	324,163	9,970,063
April	10,032,400	....	166,792	10,199,192
May	13,297,200	....	106,095	13,403,295
June	10,721,700	....	26,046	10,747,746
July	9,120,000	....	22,136	9,142,136
August	88,490	....	14,262	102,752
September	26,310	....	24,676	50,986
October	322,860	....	9,604	332,464
November	1,051,170	....	4,782	1,055,952
December	2,749,989	....	3,478	2,753,467
1896				
January	....	....	964	964
February	....	....	1,066	1,066
March	25,861,135	....	1,011	25,862,146
April	843,865	....	205	844,070
May	1,652,000	....	307	1,652,307
June	1,438,000	....	29	1,438,029
July	1,015,000	....	53	1,015,053
August	2,163,000	....	964	2,163,964
September	679,500	....	121	679,621
October	942,000	....	....	942,000
November	405,808	....	....	405,808
December	116,804,926	160,800	2,788,741	119,754,467
Total	233,618,653	321,600	5,577,483	239,517,736

WAR EXPENSES MET BY INCREASING THE ISSUE OF BANK NOTES OF BANK OF JAPAN [a]

Date	Surplus of Treasury	Miscellaneous receipts	Borrowed from Bank of Japan	Transfers from Treasury	Transfers from special account fund	War scrip issued
1894	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
June	26,000,000	....	....	....	....	....
July	..	....	..	..	..	..
September	..	....	....	....	..	....
October	..	....	6,000,000	2,553,377	..	..
November	439,086	1,806	12,500,000	8,814,025	..	.
December	..	10,566	19,530,000	7,970,645	..	..
1895						
January	..	83,202	18,420,000	16,724,798	..	.
February	..	5,045	22,530,000	16,048,649	..	..
March	3,000,000	11,361	20,500,000	22,368,991	....	3,780,000
April	..	11,216	17,500,000	25,077,224	....	3,780,000
May	..	19,670	14,000,000	24,195,419	....	3,780,000
June	..	32,743	12,500,000	22,661,037	....	3,780,000
July	.	146,969	12,500,000	20,727,592	....	3,304,269
August	..	50,293	12,500,000	26,748,677	....	2,752,821
September	..	99,514	18,390,000	29,080,730	....	1,886,816
October	..	15,502	25,000,000	32,412,194	....	1,293,606
November	..	183,959	33,100,000	31,534,497	....	861,769
December	..	272,832	41,500,000	28,710,373	....	820,168
1896						
January	.	126,330	42,500,000	34,930,525	....	404,713
February	.	63,242	41,270,000	41,773,061	....	104
March	.	53,077	37,900,000	26,710,462	....	104
April	..	51,703	41,240,000	16,107,780	9,020,000	104
May	..	54,070	....	3,102,036	52,020,000	104
June	..	81,711	....	....	4,280,956	....
July	..	102,406	....	....	7,665,676	....
August	..	1,163	....	....	4,613,948	..
September	..	20,237	....	....	1,356,585	..
October	..	19,008	....	....	..	..
November	..	1,679	..	..	..	..
Total	23,439,086	1,519,304	449,380,000	438,252,092	78,957,165	26,444,578

[a] The sum borrowed from the Bank of Japan, the transfers from the Treasury and the issuing of war scrip were temporary measures to meet deficits, and after April 1, 1896, these were redeemed by public loan and by transfer of special account fund, which accounts for some items being duplicated.

The revenue from occupied territory amounted to 624,425 *yen*, or about $310,964, which, on account of having been levied after March, 1896, is not scheduled above.

The monthly receipt of war funds stood as shown in the table at the top of next page, but in case the amount of revenue should not correspond to the above tables reference had better be made to the former.

As previously described, the amount of revenue for war funds does not always correspond to payment for war expenses; and such being the case, whenever a deficit would have occurred, money was borrowed from the Bank of Japan, or

MONTHLY REVENUE AND EXPENDITURES, 1894–1896

Date	Revenue	Expenditures		
		War Office	Naval Office	Total
1894	*Yen*	*Yen*	*Yen*	*Yen*
June 6–July 30	26,000,000	4,789,377	474,606	5,272,982
August	....	5,945,497	1,705,441	7,650,937
September	....	7,970,252	1,795,013	9,765,265
October	3,395,565	11,988,463	3,271,294	15,259,757
November	6,579,153	12,931,275	6,408,527	19,339,801
December	7,588,052	10,999,451	2,775,220	13,774,671
1895				
January	3,161,151	9,262,790	1,542,514	10,805,304
February	6,805,365	8,550,979	1,688,237	10,239,216
March	6,992,033	13,696,459	1,365,916	15,062,375
April	10,201,408	7,974,876	1,934,765	9,909,641
May	13,422,961	7,953,360	1,087,796	9,041,156
June	10,780,339	6,215,641	1,530,316	7,745,957
July	9,289,459	5,651,285	1,228,999	6,880,283
August	152,984	4,357,157	1,265,465	5,622,622
September	151,841	6,683,723	824,167	7,507,890
October	346,675	8,406,199	1,288,730	9,694,929
November	1,239,680	6,940,476	1,089,670	8,030,146
December	3,026,534	6,980,463	1,580,345	8,560,809
1896				
January	127,291	6,096,322	835,667	6,931,989
February	64,316	4,742,457	529,785	5,272,242
March	26,548 278	7,351,521	764,158	8,115,679
April–November	89 357,043	976,652[a]	968,509	8,143[a]
Total	225,230,128	164,520.371	35.955,140	200,475,508

[a] After April, 1896, revenue is not tabulated by the month, since it was an adjustment account after the end of the fiscal year; but these amounts show that the fixed sum of refunding exceeds that of payment.

appropriated from surplus in the Treasury, or by the issue of war scrip; and these temporary measures were repaid after April 1, 1896, by raising public loans and the transfer of the special account fund, which transactions will be described hereafter.

In regard to the above, the government used bank notes and copper coins as far as possible to meet extra expenses, and thus prevented a diminution of specie as well as the danger of a financial panic. The total amount paid out for war from June, 1894, to the end of March, 1896, was 200,483,651 *yen*, the following currency being employed:

CURRENCY EXPENDED FOR WAR PURPOSES, 1894–1896

	Amount	Percentage
	Yen	
Bank notes and copper coin	183,981,744	91.8
Silver dollars	11,651,482	5.8
Subsidiary silver coins	2,601,028	1.3
Silver bullion	300,000	0.2
Mexican dollars	850,000	0.4
Sycees	1,099,293	0.5
War scrip	104	..
Total	200,483,651	100.0

With regard to war scrip, it may be necessary to say something as to how it was used. Had bank notes been used in the theater of war, the paper currency would accordingly have had to be increased and in consequence there might have been a considerable withdrawal of specie. To avoid this, war notes of 1.5 and 10 *taels*, as well as of 5 *sen*, 2 *sen*, and one-half *sen*, were issued. It was found, however, that to circulate both war notes and bank notes in the same region was inconvenient for transactions; and so when the Japanese forces were about to invade the province of Chihli they were provided with war notes to the face value of 3,780,000 *yen*, equal to 2,700,000 *taels*, for use in that region. Peace was so soon restored, however, that it was found that only 103.60 *yen* of the war scrip had been used. The supply of war funds has already been outlined in a very general way, but each item in detail will be given later on.

EXPENDITURE OF THE SURPLUS IN THE TREASURY AND THE TEMPORARY MAKING UP OF DEFICITS

The budget for army and navy outlay during the war with China was calculated at the sum of 250,000,000 *yen*, for the greater part of which the government had to depend on public loans, the surplus in the Treasury for the fiscal year of 1893, the transfer of indemnity and other sources of income being comparatively of minor importance, as shown in the following table:

	Yen	Percentage
Treasury surplus, fiscal year 1893	23,439,086	10.4
Public loans	116,804,926	51.9
Transfer of indemnity	78,957,165	35.0
Other receipts	6,028,950	2.7
Total	225,230,127	100.0

Although the surplus in the Treasury could be used immediately at the outset of the war, the public loan turned in 4,326,108 *yen* in monthly average from September, 1894, to November, 1896; and the transfer of indemnity was carried out after April, 1896. So that during this time revenue and expenditure did not often correspond, which will be explained later.

Before the Sino-Japanese War, the annual accounts showed a yearly surplus, owing to the negative policy, and the actual results for five years before the war stood as follows:

Fiscal year	Yen
1889	16,974,307
1890	24,343,951
1891	19,675,597
1892	24,727,171
1893	29,187,509
Total	114,908,535

The surplus of the fiscal year 1893 was 29,187,508 *yen;* and 5,748,422 *yen* of this sum was transferred to the next fiscal year, so that 23,439,086 *yen* was transferred to the war fund, which facilitated our war movement. Although at the outbreak of war two or three special accounts were added to the surplus of 23,439,086 *yen* described above, so that it amounted to some 26,000,000 *yen* as war fund (including 439,086 *yen* added in November), 3,000,000 *yen* out of the amount were loaned to the Korean Government. Therefore it was in the end the same as mentioned at first. And although the war expenses were defrayed by the transfer of the surplus in the Treasury, from the outbreak of war to September, in a short time there was a deficit.

MONTHLY RECEIPTS AND DISBURSEMENTS, 1894–1896

	Receipts	Disbursements
1894	*Yen*	*Yen*
June 6–July 31	26,000,000	5,272,982
August	....	7,650,937
September	....	9,765,265
October	3,395,565	15,259,757
November	6,579,153	19,339,801
December	7,588,052	13,774,671
1895		
January	3,161,151	10,805,304
February	6,805,365	10,239,216
March	6,992,033	15,062,375
April	10,201,408	9,909,641
May	13,422,961	9,041,156
June	10,780,339	7,745,957
July	9,289,459	6,880,283
August	152,984	5,622,622
September	151,841	7,507,890
October	346,675	9,694,929
November	1,239,680	8,030,146
December	3,026,534	8,560,809
1896		
January	127,291	6,931,989
February	64,316	5,272,242
March	26,548,278	8,115,680
April–November [a]	89,357,043	8,143 [b]
Total	225,230,128	200,475,508

[a] After April, 1896, accounts were not reckoned by the month, as it was an adjustment account after the end of the fiscal year.
[b] Fixed sum of refunding exceeded that of payment.

From June, 1894, to May, 1896, the highest total shortage was 83,043,165 *yen*, which occurred in February, 1896, to meet which transfers were at once made from the Treasury, or loans were had from the Bank of Japan, or else war scrip was issued to make temporary adjustment. The following table will indicate the details of the making up of temporary deficits. Although the sum borrowed from the Bank of Japan will be described later, it is added here for the sake of convenience:

MEANS OF MEETING DEFICITS IN WAR FUND, 1894–1896 [a]

Date	Total deficits in war fund	Transfers from Treasury	Temporary loan from Bank of Japan	Amount of war scrip issued
1894	*Yen*	*Yen*	*Yen*	*Yen*
June	....	....	....	....
July	....	....	....	....
August	....	....	....	..
September	....	....	....	....
October	8,553,377	2,553,377	6,000,000	....
November	21,314,025	8,814,025	12,500,000	....
December	27,500,645	7,970,645	19,530,000	....
1895				
January	35,144,798	16,724,798	18,420,000	....
February	38,578,649	16,048,649	22,530,000	....
March	46,648,991	22,368,991	20,500,000	3,780,000
April	46,357,224	25,077,224	17,500,000	3,780,000
May	41,975,419	24,195,419	14,000,000	3,780,000
June	38,941,037	22,661,037	12,500,000	3,780,000
July	36,531,861	20,727,592	12,500,000	3,304,269
August	42,001,498	26,748,677	12,500,000	2,752,821
September	49,357,547	29,080,730	18,390,000	1,886,817
October	58,705,800	32,412,194	25,000,000	1,293,606
November	65,496,266	31,534,497	33,100,000	861,769
December	71,030,541	28,710,373	41,500,000	820,168
1896				
January	77,835,239	34,930,525	42,500,000	404,714
February	83,043,165	41,773,061	41,270,000	104
March	64,610,566	26,710,462	37,900,000	104
April	57,347,884	16,107,780	41,240,000	104
May	3,102,138	3,102,036	....	102
Total	914,076,670	438,252,092	449,380,000	26,444,578

[a] After June, 1896, there was no further shortage.

RATIO OF MEANS OF MEETING DEFICITS IN WAR FUND, 1894–1896

Date	Transfers from Treasury	Loans from Bank of Japan	Issue of war scrip
1894			
October	29.9	70.1	..
November	41.4	58.6	..
December	29.0	71.0	..
1895			
January	47.6	52.4	..
February	41.6	58.4	..
March	48.0	43.9	8.1
April	54.1	37.8	8.1
May	57.6	33.4	9.0
June	58.2	32.1	9.7
July	56.7	34.2	9.1
August	63.7	29.8	6.5
September	58.9	37.3	3.8
October	55.2	42.6	2.2
November	48.1	50.6	1.3
December	40.4	58.4	1.2
1896			
January	44.9	54.6	0.5
February	50.3	49.7	..
March	41.3	58.7	..
April	28.1	71.9	.
May	100.0	.	.

As may be seen from the above, the temporary deficit was met by transfers from the Treasury and loans from the Bank of Japan. So much then for the summary of war finance.

ISSUE OF PUBLIC LOANS

The public loan floated to cover the expenses of the war with China and affairs in Korea was named the "War Loan," and the sum of legal issue anticipated was in all about 230,000,000 *yen;* but only 124,920,000 *yen* was put on the market, as may be seen from the statements on pages 62–63.

A necessary disposition of finance with regard to Korean affairs was promulgated by Imperial Emergency Ordinance No. 143 on August 14, 1894, as follows: "The government is authorized to float a public loan for the purpose of meeting the expenses of Korean affairs." War loan regulations were then promulgated by Imperial Ordinance No. 144 on August

(1) Details of Subscriptions to War Loans

	Time limit of application	Amount authorized	Number and time of payments	Laws and regulations	Method of issue
		Yen			
1st Subscription	Sept. 10–13, 1894	30,000,000	8; Sept. 20, 1894–June 30, 1895	Imp. Ord. No. 144, Aug. 15, 1894	
2d Subscription (2d issue)	Dec. 11–15, 1894	50,000,000	7; Dec. 25, 1894–June 30, 1895	Laws Nos. 25 and 195, Treas. Dept., Oct. 23, 1894	Popular subscription
3d Subscription (4th issue)	Mar. 16–21, 1896	10,000,000	8; Mar. 31–Oct. 31, 1896	Law No. 8, Mar. 2, 1895; Ord. No. 2, Treas. Dept., Mar. 4, 1896	
4th Issue	.....	25,000,000	.....	Ord. No. 3, Treas. Dept., Mar. 4, 1896	
Kosho Loan (3d issue)	.....	10,000,000	.....	Imp. Ord. No. 137, Oct. 2, 1896; Ord. No. 3, Treas. Dept., Oct. 4, 1896	Bought by Bank of Japan according to special regulations

(II) DETAILS OF RECEIPTS OF WAR LOANS

	Time of issue	Amount of subscription	Amount received	Method of issue	Classification of account
		Yen	*Yen*		
War Loan (1st, 2d and 4th issues) . . .	To Mar. 31, 1896	89,996,500	87,702,532	Popular subscription	Special, for war purposes
	Thereafter	....	950	Popular subscription	General
	Total	89,996,500	87,703,482		
War Loan (part of 4th issue)	To Mar. 31, 1896	25,000,000	25,000,000	Extraordinary special issue	Special, for war purposes
Kosho Loan (3d issue)	To Mar. 31, 1896	4,047,500	4,102,394	Extraordinary special issue	Special, for war purposes
	Thereafter	5,876,750	5,631,811	Extraordinary special issue	General
	Total	9,924,250	9,734,205		
Grand totals	To Mar. 31, 1896	119,044,000	116,804,926	Popular subscription (¥87,702,532) Extraordinary special issue (¥29,102,394)	Special (¥116,804,926)
	Thereafter	5,876,750	5,632,761	Popular subscription (¥950) Extraordinary special issue (¥5,631,811)	General (¥5,632,761)
	Total	124,920,750	122,437,687		

15, 1894, when it was decided to float a public loan by instalments to the limit of 50,000,000 *yen*. This was the beginning of war loans in Japan.

The war loan regulations fixed only the amount of the subscription, the period of redemption, the rate of interest and the time of payment. All other details of the loan were to be based on the consolidated public loan regulations by Imperial Ordinance No. 66 of October 16, 1886; and the war loan regulations were as follows:

War loan regulations

ARTICLE 1. War loans shall be floated gradually to the limit of 50,000,000 *yen* by Imperial Ordinance No. 143.

ART. 2. The interest on the loan shall be less than 6 per cent per annum, and shall be paid twice yearly, in the month of June and December, until the redemption of the principal.

ART. 3. The principal shall be redeemed within fifty years from the sixth year after issue.

ART. 4. The subscriptions to the loans, the amount of issue, the price, rate of interest, the period of subscription, the number of times of instalment for subscription and other details shall be fixed by the Minister of Finance.

ART. 5. The delivery of public loan bonds, prescriptions in regard to payment of principal and interest, the management of bonds, and all other details not fixed by this regulation shall be arranged according to the Consolidated Public Loan Regulations promulgated by Imperial Ordinance No. 66 of the year 1886.

The subscriptions received on the above basis comprised the first war loan; and the method of subscription was announced by Notification No. 32 issued by the Treasury Department on August 17, 1894, the amount called for being, as already explained, 30,000,000 *yen*. They were issued at par and the security money was to be 10 per cent of the face value, the security to be transferred to the first payment, and the rest to be paid up in seven instalments from November 16, 1894, to the end of June, 1895.

METHOD OF PAYMENT FOR BONDS OF FIRST WAR LOAN

Payments	1894–1895	Yen
First	to September 20	10[a]
Second	October 16–31	10
Third	November 16–30	10
Fourth	February 16–28	10
Fifth	March 16–31	10
Sixth	April 16–30	10
Seventh	May 16–31	20
Eighth	June 16–30	10

[a] Transferred from security.

The first war loan happened to be placed on the market at a time when money in both Osaka and Tokyo was showing the customary stringency of the season, and the daily interest fixed by the Tokyo Bankers' Club was 2 *sen*, 8.4 *rin*, or 10.022 per cent, and loans from the Bank of Japan were then 2 *sen*, 20. *rin*, or 8.03 per cent. The daily discount rate of securities payable in Tokyo was 2 *sen*, 1 *rin*, which is equal to 7.665 per cent, while the daily rate of discount of securities payable in another place was 2 *sen*, 3 *rin*, or 8.395 per cent. The minimum and maximum of interest in Tokyo and Osaka at that time was as follows:

INTEREST CHARGES IN TOKYO AND OSAKA

Classification of amount loaned on security	Months	Tokyo			Osaka		
		Highest	Lowest	Average	Highest	Lowest	Average
Yen		*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
100–1000	Aug.	1.127	0.959	1.034	1.351	1.132	1.241
	Sept.	1.107	0.971	1.056	1.250	1.010	1.122
1,000–10,000	Aug.	1.076	0.923	1.003	1.278	1.059	1.132
	Sept.	1.051	0.934	1.003	1.163	0.961	1.059
Above 10,000	Aug.	0.987	0.882	0.926	1.241	1.059	1.132
	Sept.	0.981	0.875	0.934	1.165	1.009	1.090

The market price of 5 per cent national bonds depreciated as follows:

DEPRECIATION OF 5 PER CENT NATIONAL BONDS

Date	Loans		
	Kinroku	Naval	Consolidated
	Yen	*Yen*	*Yen*
August, 1894.....	100.38	95.90	100.49
September, 1894.....	99.57	99.56	100.21

To undertake the flotation of a pubic loan for so large a sum as 30,000,000 *yen* was without precedent in Japan. Consequently the government, and the public as well, regarded the outcome with some misgiving. But fortunately the loyalty and patriotism of the nation overcame all difficulties and the subscriptions amounted to no less than 77,002,650 *yen*, the highest bid per hundred of face value being 142.44 *yen*, while other bids were 125 and 120 *yen*. The authorities therefore decided to accept applications for subscriptions above par to the extent of 11,627,850 *yen*, and at par to the amount of 18,372,150, or 30,000,000 *yen* in all.

The sum of actual receipts amounted to 30,063,372 *yen*, but as there were a few applicants who did not take up the amount applied for and forfeited their deposit money the total was thus affected, yet the amount subscribed was thereby reduced by only 2,200 *yen*, while the reduction in the actual receipts was no more than 1,855 *yen*. This signal success was obtained through the people's patriotism and public indignation.

The second loan, which was issued in accordance with Law No. 25 of October 23, 1894, was put on the market in November, 1894. The law reads as follows: "In order to defray the war expenses in connection with China and Korea the government is hereby authorized to raise a public loan gradually at less than 6 per cent interest; and the necessary details, such as methods, agreements, subscriptions and period of redemption, shall be fixed by the Minister of Finance."

On November 22, 1894, by Departmental Order No. 19, the Treasury floated a loan of 50,000,000 *yen* at 5 per cent interest, the notice concerning subscriptions being based on

Departmental Order No. 40, issued on the 22d of the same month by the Treasury. The loan was issued at 95 per 100 *yen* of face value, the security money to be transferred to subscription as first payment, and the balance to be paid up in six instalments from January 16, 1895, to the end of June of the same year. The period of application for subscription was limited to four days only, from December 11 to 15, other details being the same as in the case of the first loan. The instalments were to be paid up at the following rate per hundred *yen* of face value:

METHOD OF PAYMENT FOR BONDS OF SECOND WAR LOAN

Payments	1894–1895	Yen
First	to December 25	10[a]
Second	January 16–31	10
Third	February 16–28	10
Fourth	March 16–31	10
Fifth	April 16–30	20
Sixth	May 16–31	15
Seventh	June 16–30	20

[a] Transferred from security.

Applications for subscriptions amounted to 90,301,300 *yen*, being 40,301,300 *yen* in excess of the issue called for. The highest bid was 120 *yen*. The government then decided to accept, first, applications for subscriptions above par to the amount of 22,119,850 *yen*, and, next, from among applicants at less than par, but more than 95 per 100 *yen*, the sum of 7,924,000 *yen;* and 19,955,150 *yen* from among applicants at par, making 50,000,000 in all.

As it was about the end of the year, the money market was somewhat tight, and the market price of the national bonds tended toward depreciation. Nevertheless the outcome was successful beyond expectation. This was due largely to the strength of the government's financial credit and the inherent economic power as well as to the patriotic feelings of the people.

The third loan was issued according to Law No. 8 of March 2, 1895, which says: "In order to meet expenses in regard to the war with China the government is hereby authorized to float by degrees a public loan to the limit of 100,000,000 *yen*

at interest of less than 6 per cent; and the necessary details as to price, method of flotation, agreement and period of subscription and redemption shall be left to the Minister of Finance."

On March 4, 1896, in accordance with Order No. 2 of the Treasury Department it was decided to call for a loan of 10,000,000 *yen* at 5 per cent interest; and in accordance with Announcement No. 13 issued by the Treasury, the date of payment for subscriptions was to be from April 16 to the end of October, 1896, in seven instalments, the period for applications to be from March 16 to 21, all other details to be the same as in the first issue.

The rate of payment for instalments was as follows:

METHOD OF PAYMENT FOR BONDS OF THIRD WAR LOAN

Payments	1896	Yen
First	to March 31,	10[a]
Second	April 16–30	10
Third	May 16–31	20
Fourth	June 16–30	10
Fifth	July 16–31	10
Sixth	August 17–31	20
Seventh	September 16–30	10
Eighth	October 16–31	10

[a] Transferred from security.

As the war was now over and the nation busily engaged in post-bellum enterprises, many hopeful undertakings were being started and the money market was showing considerable stringency. Consequently the amount subscribed was only 1,578,050 *yen*, the highest bid being 103, the applications above par reaching 1,026,850 *yen* and those at par 551,200. Therefore to make up the deficiency, 5,000,000 *yen* was transferred from the indemnity account, and the Bank of Japan advanced the sum of 3,420,000 *yen* on these bonds.

The general features of each of the loans having been outlined above, the loans may be tabulated as on pages 69–70.

During the periods of subscription for the first and second loans the war was in progress, and news of victory was constantly in the air, but no one of course knew as yet just what would be the final outcome. Yet it was quite evident that the nation was being worked up to a high state of excitement

DETAILS OF FIRST THREE WAR LOANS

	First Loan	Second Loan	Third Loan	Total
Applications:	*Yen*	*Yen*	*Yen*	*Yen*
Total amount	77,002,650.00	90,301,300.00	10,000,000.00	177,303,950 00
Amount at lowest price	65,374,800.00	68,181,450.00	8,973,150.00	142,529,400 00
Amount at highest price	11,627,850.00	22,119,850.00	1,026,850.00	34,774,550.00
Highest bid	142.44	120.00	103.00	121 65[a]
Lowest bid	100.00	95.00	100.00	98 33[a]
Average price	100.08	95.11	100.08	97 57
Subscriptions:				
Total amount	30,000,000.00	50,000,000.00	10,000,000.00	90,000,000.00
Oversubscription	47,002,650.00	40,301,300.00	....	87,303,950 00
Lowest price	100.00	95.00	100.00	98 00[a]
Average price	100.21	95.28	100.01	97 45
Actual receipts:				
Total amount	30,063,372.00	47,638,852.00	10,001,258.00	87,703,482 00

[a] Average.

DISTRIBUTION OF APPLICATIONS

Source	First Loan		Second Loan		Third Loan		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
		Yen		*Yen*		*Yen*		*Yen*
Government offices	38	425,550	94	631,400	21	5,299,000	153	6,355,950
Banks and financial institutions	720	34,747,050	1,019	37,955,750	32	3,705,150	1,771	76,407,950
Local self-governing bodies	1,124	627,500	1,418	621,500	63	32,200	2,605	1,281,200
Schools	100	43,200	111	30,900	14	11,050	225	85,150
Hospitals	2	400	5	7,550	....	....	7	7,950
Shrines and temples	141	702,100	238	847,000	13	12,350	392	1,561,450
Individuals	116,890	40,456,850	170,163	50,197,800	2,015	935,250	289,068	91,589,900
Foreigners	....	....	3	9,400	2	5,000	5	14,400
Total	119,015	77,002,650	173,051	90,301,300	2,160	10,000,000	294,226	177,303,950

and indignation, and liberal contributions for the relief of soldiers as well as many other patriotic works were undertaken, with the result that the loan was popular beyond all expectation, especially as compared with loans raised in time of peace. Even the very poor who could not be expected to have more than would keep them, applied for subscriptions out of their small savings and by dint of the most careful frugality. Accordingly, the number of subscribers to the first loan was 119,015; to the second loan, 173,051; and the average sum subscribed for in the first loan was 647 *yen;* and in the second loan, 521 *yen*. The difference was, therefore, as far apart as heaven and earth as compared with loans issued in time of peace, the average then being 3,005 *yen* per subscriber.

On account of the number of applications from small subscribers being so numerous there were naturally some deferred payments, the interest on which amounted to 7,313.71 *yen* for the three issues. Moreover, the regulations concerning consolidated bonds required that applications which were not paid up should become invalid and the security money forfeited together with the amounts paid up. For this reason the fixed amount subscribed was slightly reduced. This being the case, the actual sum of the war bonds issued was 89,996,500 *yen* in all. The actual sum of receipts was still further modified by interest on deferred payments, the account being as shown in the table on page 72.[1]

The public loans heretofore described were issued directly to the public by so-called general subscription. At the same time a war loan of 35,000,000 *yen* was subscribed for by extraordinary special issue based upon Article VI, paragraph

[1] By regulations of consolidated bonds the paid up sums of those failing to complete their payments were forfeited; and, in this way, of the first issue 20 *yen* of security money and 90 *yen* of the first instalment was forfeited, 190 *yen* of the second instalment and 45 *yen* of the third instalment. In the second issue 65 *yen* among subscribers to the first instalment, 50 *yen* of the second, 60 *yen* of the third, 60 *yen* of the fourth, and 30 *yen* of the fifth instalment, were forfeited.

The difference between par and above par price which was paid up in the first issue was 12.80 *yen* and 4.04 *yen* in the second. However, in the first, as there was a case in which only the security money was paid and not 0.30 *yen* of the difference mentioned previously, a fractional sum of 0.30 *yen* did not go into the actual receipt.

RECEIPTS FROM WAR LOANS

	First issue	Second issue	Third issue	Total
Subscription:	*Yen*	*Yen*	*Yen*	*Yen*
Amount issued	30,000,000	50,000,000	10,000,000	90,000,000
" deferred	2,200	1,300	....	3,500
Total	29,997,800	49,998,700	10,000,000	89,996,500
Receipts:				
Amount received	30,065,227	47,639,822	10,001,258	87,706,307
" deferred	1,855	970	....	2,825
Total	30,063,372	47,638,852	10,001,258	87,703,482
Amount received: Interest on deferred payments	3,134	4,044	134	7,312
Total	30,066,506	47,642,896	10,001,392	87,710,794

2, of the amendment to the regulations with regard to consolidated bonds, promulgated by virtue of Imperial Ordinance No. 46, issued on June 16, 1888, which declares that "the Minister of Finance is authorized to issue bonds after the price of the Consolidated Loan bonds is fixed, in accordance with the current market price, without having recourse to general subscriptions, the bonds to be delivered to the Bank of Japan; but the amount and the price of the bonds so issued must be published by the Minister of Finance on the day after issue."

In regard to the above it may be said that the Minister of Finance fixes the price of such bonds as he may think proper, in accordance with the market price of the bonds of the same kind which he has issued before.

One of the extraordinary special loans was based upon Imperial Ordinance No. 137, of October 1895 which says: "The grant of a lump sum may be had from the Treasury for war purposes by delivering bonds at par to the Bank of Japan who will deliver them to purchasers according to convenience, no transaction to be for less than 50 *yen*." This loan was issued in instalments at 5 per cent interest to the

limit of 10,000,000 *yen*, which was part of the 100,000,000 *yen* loan previously arranged to be issued in conformity with Law No. 25 of October 23, 1894, known as the *Kosho* Loan, based on Order No. 3 of the Treasury Department, October 4, 1895.

As the said loan was to be issued in place of a grant from the Treasury, either the War or the Naval Office applied to the Bank of Japan as necessity required, and the bank applied to the Minister of Finance, who then issued in accordance with the second clause of article 6 of the Consolidated Bond Regulations and delivered the bonds to the Bank of Japan, and the bank paid the money into the Treasury. Moreover, as to certain parts of the war budget up to March, 1896, it was known as an extraordinary account, as both the War and the Naval Office decided to purchase the bonds above named. The total amount of issue was 9,924,250 *yen;* and the amount of actual receipts was 9,734,205.15 *yen*, being 9,132,756 *yen* for the War Office, and 791,500 for the Naval Office. But in regard to the purchase the special account for war purposes amounted to 4,102,394.50 *yen* and the amount not issued was 75,750 *yen*.

Another extraordinary special issue, being the fourth loan, was for 25,000,000 *yen* in face value of bonds issued, taken up by employing funds from the Deposits Section of the Treasury. The details with regard to the loan are given on page 74.

Loans

The loans for extraordinary war expenses were based on Imperial Emergency Ordinance No. 143, issued on August 13, 1894, which says: "In order to meet the expenses of Korean affairs the government is hereby authorized to borrow money, as an urgent measure, from the Bank of Japan." Although this power was not used at the time, it authorized the government to make up a temporary shortage by borrowing from the central bank to help out the war funds. Again, by virtue of Law No. 25 issued on October 23, 1894, the government floated a public loan to the limit of 100,000,000 *yen* at less than 6 per cent interest, at the same time borrowing money

FOURTH WAR LOAN

Issues	Date	Amount of issue	Price	Amount actually issued
	1895	*Yen*	*Yen*	*Yen*
Third	Oct. 16	90,000	100.50	90,450
"	Oct. 25	150,000	100.20	150,300
"	Oct. 30	40,000	100.30	40,120
"	Oct. 31	30,000	100.30	30,090
"	Nov. 8	400,000	100.30	401,200
"	Nov. 14	50,000	100.70	50,350
"	Nov. 19	262,500	101.10	265,388
"	Nov. 28	328,000	101.90	334,232
"	Dec. 9	60,000	102.60	61,560
"	Dec. 13	250,000	102.50	250,250
"	Dec. 25	2,037,000	101.50	2,067,555
"	Dec. 27	350,000	101.40	354,900
	1896			
"	Apr. 2	50,000	98.90	49,450
"	Apr. 6	30,000	98.90	29,670
"	June 29	500,000	100.20	501,000
"	Sept. 26	300,000	98.70	296,100
"	Dec. 16	500,000	98.36	491,800
	1897			
"	Feb. 26	300,000	99.49	298,470
"	Mar. 3	600,000	99.04	594,240
"	Mar. 26	400,000	99.14	396,560
"	Oct. 14	600,000	95.83	574,980
"	Dec. 21	1,000,000	93.15	931,500
	1898			
"	Feb. 7	45,000	93.48	42,066
"	Mar. 12	1,200,000	91.32	1,095,840
"	Mar. 30	3,000	89.94	2,698
"	Oct. 24	48,000	92.51	44,405
"	Dec. 28	57,750	92.98	53,696
	1899			
"	Mar. 15	28,000	95.84	26,751
"	Mar. 28	130,000	94.81	123,253
"	Oct. 13	20,000	95. 8	19,096
	1900			
"	Mar. 27	60,000	92.84	55,704
"	Sept. 28	3,000	90.71	2,721
"	Oct. 15	2,000	90.51	1,810
Total		9,924,250		9,728,205
Fourth	Mar. 4, 1896	25,000,000	100.00	25,000,000
Total		34,924,250		34,728,205

from the Bank of Japan, the amount being used for extraordinary war expenses. By virtue of Law No. 8 of March 2, 1895, the government borrowed money under the same conditions as above. A loan of 20,500,000 *yen* was raised by authority of Law No. 25 and a loan of 20,260,000 *yen* on Law No. 8, the total being 40,760,000 *yen*, but there was no loan caused by urgent measure.

The above loans were fixed and issued by contract papers stating the amount of the loan, or by special orders delivered as necessity required. It was after the example of the temporary Loan Law No. 16 of February 20, 1894, which authorized borrowing from the Bank of Japan at reasonable interest to make up temporary deficits within any one fiscal year. There were two methods of obtaining the money: one by fixed loan and the other by current loan. The fixed loan is at a fixed rate of interest, the amount of the loan and terms of redemption being arranged by contract paper or by command of the Minister of Finance. The current loan, on the other hand, is raised on security of money forwarded from the treasuries at different places in the Empire to the central cash office in Tokyo or the branch cash office in Osaka, the interest for the loan being the same as the daily rate for overdrafts in the Bank of Japan. The loan referred to in this paragraph was a fixed loan.

The details of the loans based on Laws No. 25, 1894, and No. 8, 1895, are as follows:

Loan Based on Law No. 25, 1894

Date of issue	Amount	Annual rate of interest	Date of redemption
	Yen	*Per cent*	
Nov. 15, 1894	8,000,000	5	Mar. 31, 1895
Nov. 26, 1894	1,500,000	5	"
Dec. 10, 1894	3,000,000	5	"
Dec. 15, 1894	3,000,000	5	"
Feb. 1, 1895	2,000,000	5	"
Feb. 6, 1895	3,000,000	5	"
Total	20,500,000		

LOAN BASED ON LAW NO. 8, 1895

Date of issue	Amount	Annual rate of interest	Date of redemption
	Yen	*Per cent*	
Nov. 14, 1895	2,000,000	6	Dec. 31, 1895
Dec. 2, 1895	1,000,000	6	"
Dec. 3, 1895	1,500,000	6	"
Dec. 9, 1895	1,000,000	6	"
Dec. 12, 1895	1,000,000	6	"
Dec. 18, 1895	1,000,000	6	"
Dec. 25, 1895	1,000,000	6	"
Dec. 26, 1895	1,000,000	6	"
Dec. 28, 1895	2,000,000	6	"
Jan. 22, 1896	1,000,000	6	Mar. 31, 1896
Jan. 28, 1896	1,000,000	6	"
Mar. 5, 1896	1,000,000	6	"
Mar. 27, 1896	1,000,000	6	"
Mar. 31, 1896	760,000	6	"[a]
Mar. 31, 1896	500,000	6	June 30, 1896
Apr. 1, 1896	1,000,000	6	"
Apr. 1, 1896	1,000,000	6	"
Apr. 6, 1896	1,500,000	6	"
Total	20,260,000		

[a] Date of redemption prolonged to June 30, 1896, by order of the Minister of Finance.

As already described, the above loan for extraordinary war expenses was a temporary measure, and in accordance with the receipts of the war loan was to be redeemed gradually. Although March 31, 1895, was the date set for redemption of the 20,500,000 *yen* loan raised by Law No. 25 in 1894, the battle line extended, with consequent increase of outlay, so that it was quite impossible to undertake redemption as promised. Therefore, the Minister of Finance gave notice of the postponement of redemption to the Bank of Japan, naming June 30 of the same year as the date set for redemption. However, by April the cash on hand in the Treasury had increased to such an extent that 3,000,000 *yen* of the loan was paid off, which was the first redemption of loans from the Bank of Japan. Thereafter redemption took place frequently at the convenience of the Treasury, although sometimes redemption had to be postponed, not being completed until May, 1896.

The loan based on Law No. 8 of 1895 was redeemed in May, 1896, after having been postponed frequently, like the former loan. The details of the loan follow:

Date of redemption	Amount of redemption		Total
	By Law 25	By Law 8	
	Yen		*Yen*
Apr. 18, 1895	3,000,000		3,000,000
May 1, 1895	2,000,000	....	2,000,000
May 15, 1895	3,000,000	....	3,000,000
Feb. 3, 1896	920,000	....	920,000
Feb. 8, 1896	1,310,000	....	1,310,000
Mar. 2, 1896	4,130,000	....	4,130,000
Mar. 26, 1896	1,300,000	....	1,300,000
Mar. 26, 1896	440,000	....	440,000
Mar. 31, 1896	760,000	....	760,000
Apr. 22, 1896	160,000	....	160,000
May 14, 1896	2,020,000		2,020,000
May 20, 1896	1,460,000	20,260,000	21,720,000
Total	20,500,000	20,260,000	40,760,000

The payment of interest for the loan stood as follows:

Fiscal years	By law No. 25 in 1894, 5% per annum	By law No. 8 in 1895, 6% per annum	Total
	Yen	*Yen*	*Yen*
1894	304,384	....	304,384
1895	505,274	40,685	545,959
1896	144,366	359,549	503,915
Total	954,024	400,234	1,354,258

Employment of Indemnity

The amount transferred from the sum received as indemnity from China to the fund for making up war expenses was 82,171,650 *yen*, the details being as follows:

Items	Fiscal year	Amount
		Yen
Transferred to special account for war purposes	1895	78,957,165
War and transportation expenses for fiscal year 1897–1898	1897	3,150,789
	1898	63,696
Total		82,171,650

The amount of Chinese indemnity received for the fiscal year 1895 was 74,143,054 *yen* for war indemnity, 44,907,449 *yen* as compensation for the retrocession of the Liaotung peninsula, and the sum of 93,624 *yen* as the profit realized by utilizing the paid-in indemnity and the marginal profit gained from the exchange rates in Japan's favor, or 119,144,177 in all. As first it was intended that the indemnity should be devoted to extension of the army and navy. But as it was necessary to bring the special accounts for the war with China to a close at the end of March, 1896, and a public loan or a loan of over 100,000,000 *yen* from the bank would be required to do so, it was decided to use some of the indemnity to balance the account, rather than leave the war expense to depend on public loans and perhaps greatly disturb the money market, while at the same time an idle surplus would be piling up in the Treasury. Moreover the interest on public loans had to be met. Consequently some of the indemnity was diverted to war expenses, leaving armament expansion to future loans. The portion of indemnity used in this way was 78,957,164.89 *yen*, while 3,210,000 *yen* was used during the two fiscal years of 1897 and 1898 for repletion of war funds.

PART II

ECONOMIC EFFECTS OF THE SINO-JAPANESE WAR

CHAPTER I

INTRODUCTION

There are two distinct points of view from which the economic effects of war may be studied. The first includes the effects upon the ordinary life of the nation, and the second the effects upon national economics and finance. This latter includes the study of the methods of securing funds for prosecuting the war, rehabilitating old industries and starting new ones after the war, and meeting the changes which result from the fluctuation in the exchange value of money. Of these latter changes we may mention (1) the tightening of the money market caused by large bond issues; (2) the inflation of the currency due to purchase of war supplies, etc.; (3) the rise in prices caused by the war, increase in taxes, and inflation of the currency; (4) the increase or decrease in individual incomes caused by financial instability, etc., and (5) the increase in speculation due to the foregoing causes.

These, then, are the general economic effects of war to be considered, and certainly the Sino-Japanese War was no exception, since all of the foregoing phenomena were to be observed during and after that conflict. This fact must be noted, however,—that it was the first international war in the history of modern Japan, i.e., since the beginning of the Meiji Era. Only a quarter of a century had elapsed since great changes had taken place in our government, and this quarter of a century therefore can not be considered a strictly normal period. Many serious financial problems were waiting to be solved, such as the adjustment of debts contracted during the feudal or Tokugawa epoch, the securing of money for the various needs of the new government and expenditure of the same, and the disposal of a large number of inconvertible notes. Moreover the new government was beset with other difficulties—the initial conflicts of the Restoration period,

the civil war of the Southwest (1877), etc. As a result, finances became constantly more difficult to manage, and when the issue of inconvertible notes finally reached the highest possible point, a decline in value set in. Only when a central bank—the Bank of Japan—had been established, was the agio, or difference in value between specie and notes, removed. In 1883 a monetary standard was established which was virtually silver, although by statute it was bimetallic. Soon thereafter, owing to the fluctuation in value of silver and gold, monetary complications arose, and before these had been settled the Sino-Japanese War broke out. Then, in addition to the internal problems with which we were already wrestling, we found ourselves face to face with China in the war of 1894—China that ancient nation with the prestige of her four thousand years of history to count upon. For a nation like Japan, economically unsteady, and not yet prepared for a long fight, to challenge such an antagonist was like sweeping the sea with a broom—an impossible task, indeed, it seemed! So, although the valiant spirit of the people made up for the shortage of material supplies to some extent, we must admit that our power of continued resistance, financial and economical, was very weak, and that the effects of war upon the national economics and finance were very severe.

First, let us proceed to consider the financial effects of the war. The whole expenditure amounted to more than 250,000,000 *yen*. Besides this, the expenses of various post-bellum undertakings were enormous, so that the people had to endure a constant and heavy drain. The total amount of the Treasury's annual disbursement at once became double that before the war. As to revenues, taxes had not been materially increased in order to meet the expenditure during the war, as this was largely met by means of war loans; while for restoring normal conditions after the war and for various post-bellum undertakings the war indemnity secured was employed. But this, although large, was not sufficient, and it was necessary therefore to increase the taxes and to float loans in addition.

In consequence, the whole nation, and economic circles in particular, became heavily burdened.

Next, let us consider the general economic effects of the war. In the first place, owing to the issue of war bonds the money market was greatly tightened, but after victory was secured the conditions improved. After the war, the government and the Bank of Japan began to lend capital. By changing a virtual silver standard into a gold standard, the barrier to the free circulation of capital between Japan and the gold-standard nations was removed, and, with a view to perfecting financial facilities, hypothec and industrial banks were established. The loan power of the Bank of Japan was extended. The national banks, which so far had been an incubus upon industry, were transformed into ordinary banks. These steps facilitated the circulation of capital and helped considerably to ease the money market. But this easy condition, together with the craze for speculation rife among a people drunk with victory, caused a great financial panic which subsided only in 1903–1904.

Secondly, as a result of issuing bonds during the war, and increasing taxes and notes as a measure of relief for the financial world, the volume of currency was considerably enlarged and the prices of commodities in general rose, the more so as the money market before the war had been tight and the entire amount of currency small.

To take another point of view, let us consider that the Sino-Japanese War was the first international war which Japan had fought in modern times and that the people were unaccustomed to such experiences as they were then having. In addition, mindful of the dangers of fighting against this vast and ancient empire, they were entertaining grave anxieties as to the future. Fortunately for Japan, the war ended in a glorious victory for her so that the people came to realize that the efforts made during the quarter of a century past had not been made in vain. They were then fired with ambition to exert more energy along the line of national endeavor, so that Japan might extend her power in the Far East, and to

this end the government and people cooperated in various post-bellum undertakings. Means of communication and transportation, as well as financial organs, were perfected, educational institutions were improved, industries encouraged, various facilities to develop foreign trade established, and the system of encouraging shipbuilding and navigation by subsidies or grants of money was established. Thus the commercial standing of the nation was improved and industry, commerce, communication and various hitherto undeveloped enterprises were revolutionized so as to fit in with the new period, and therefore any discussion of the effects of the war is really identical with an historical statement of the progress made in these national activities. As for the increase or decrease in individual incomes, such are the inevitable results of wars and other great cataclysms of society. Especially is this true when the stock market is favorable, following the inception of post-bellum enterprises by the government and people. After the Sino-Japanese War great changes in private incomes were particularly common.

The foregoing various phenomena were important results of the war. But what is to be considered as the most important result was the effect of the war upon the life of the people. This was felt for a very much longer period than other effects. The expenditure for the Sino-Japanese War was about 250 million *yen*. But we must also take into consideration the indirect losses suffered on account of the war, the expenditure required to restore normal conditions after the war, and the capital employed for various post-bellum undertakings. When these losses and expenses are added together, the amount reaches an enormous figure. This amount could be temporarily met to be sure by means of bond issues, loans secured from the central bank, the sale of government property, and contributions by the people (especially during the war), etc. But in the long run it had to be met by revenue from taxes (direct and indirect), and the result was (1) an increase in the burdens borne by the people by the establishment of new and the increase of old taxes; (2) the permanent inflation of the

currency; and (3) a rise in the prices of commodities, etc. The difference between rich and poor then became more noticeable, the difficulty of living on the part of the majority of the people and also their discontent increased, while social and political transformations consequent upon the foregoing phenomena took place. These changes, indeed, constitute the most important problem for study.

The increase in the burdens of the people, the inflation of the currency, and the rise in the prices of commodities were all actual phenomena observed after the Sino-Japanese War. Fortunately in Japan wages for labor and the other sources of income of the people rose in proportion to the rise in prices, so that the evil effects of the change were not felt so very sharply. But the increase in the difference between rich and poor and the difficulty of living for the majority became more and more well-defined facts, so that farmers began to leave their homes and flock to cities or manufacturing towns. The beauty and simplicity of country life which had generally prevailed before was gone and the country districts were left to decay. Concentration of the population in cities tended to increase the difficulty of living. But as Japan has only recently been opened to Western civilization, and is situated in the Far East where the civilized nations of the west are concentrating their energy upon conquest, she has been so busily engaged in establishing herself as an independent power that she has not yet had time to pay proper attention to the question of living as it concerns the generality of the people. Consequently, the burdens of the people increased considerably after the Sino-Japanese War, and even yet they can not enjoy the happiness of perfect living conditions. Yet this state of affairs was the natural result of the geographical position of Japan, and it may not be strictly true to say that it was a direct result of the Sino-Japanese War. But as international diplomatic relations of Japan assumed more importance, with the Sino-Japanese War as the starting point, and as it was this war which exposed the weakness of China and thereby encouraged the Western Powers to bring pressure

to bear upon the East, our statement in the foregoing paragraph may be seen to be a correct one. We shall now go into more detail as to each of the phenomena mentioned above, expressing our views in concrete form in order to show how far reaching the effect of the Sino-Japanese War was upon our economic world.

CHAPTER II

EFFECTS ON PUBLIC FINANCE

The effects of the Sino-Japanese War on public finance were most directly shown in the annual budgets of the government. We shall therefore present tables giving the annual budgets from 1893, the year before the Sino-Japanese War, to 1903, the year before the Russo-Japanese War, in order to show the influence of the former war upon the annual budgets of the nation.

ANNUAL REVENUE, 1893–1903

Fiscal Year	Ordinary	Extraordinary	Total
	Yen	*Yen*	*Yen*
1893	85,883,080	27,886,300	113,769,380
1894	89,748,454	8,421,574	98,170,028
1895	95,444,652	22,988,069	118,432,721
1896	104,904,501	82,114,922	187,019,423
1897	124,222,964	102,167,159	226,390,123
1898	132,869,336	87,184,792	220,054,128
1899	177,328,528	76,925,996	254,254,524
1900	192,170,081	103,684,787	295,854,868
1901	202,035,100	72,323,950	274,359,050
1902	221,240,408	76,101,016	297,341,424
1903	224,180,699	36,040,059	260,220,758
Total	650,027,803	695,838,624	1,345,866,427

ANNUAL EXPENDITURES, 1893–1903

Fiscal year	Ordinary	Extraordinary	Total
	Yen	*Yen*	*Yen*
1893	64,545,599	20,036,273	84,581,872
1894	60,421,346	17,707,297	78,128,643
1895	67,148,007	18,169,173	85,317,180
1896	100,712,816	68,143,692	168,856,508
1897	107,695,127	115,983,717	223,678,844
1898	119,072,144	100,685,424	219,757,568
1899	137,590,418	116,575,120	254,165,538
1900	149,134,167	143,615,892	292,750,059
1901	160,363,583	106,493,241	266,856,824
1902	171,059,808	118,166,923	289,226,731
1903	169,761,914	79,834,217	249,596,131
Total	307,504,929	905,410,969	1,212,915,898

Taking the figures for 1893 as 100, the percentages of the figures for the other years will be as follows:

ANNUAL REVENUE AND EXPENDITURES, 1893–1903, IN PERCENTAGE

Fiscal year	Revenue			Expenditures		
	Ordinary	Extraordinary	Total	Ordinary	Extraordinary	Total
1893	100.0	100.0	100.0	100.0	100.0	100.0
1894	104.5	30.2	86.3	93.6	88.4	92.4
1895	111.1	82.4	104.1	104.0	90.7	100.9
1896	122.1	294.5	164.4	156.0	340.1	199.9
1897	144.6	366.4	199.0	166.9	578.9	283.4
1898	154.7	312.6	193.4	184.4	502.5	259.8
1899	206.5	275.9	223.5	213.1	581.8	300.5
1900	223.8	371.8	260.1	231.1	716.8	346.1
1901	235.2	259.4	241.2	248.5	531.5	315.5
1902	257.6	272.9	261.4	265.0	589.8	342.0
1903	261.0	129.2	228.7	263.0	398.4	295.1

The foregoing tables show that the annual budget which was 84 million *yen* in 1897 became twice as big after the war, that is, over 168 million *yen*. It increased gradually until in 1903 it reached over 249 million *yen*, that is, an increase of 195 per cent. Now what was the cause of this increase in expenditure, and from what source was the revenue to come to offset it? To make this clear will be to make clear the effects of the war upon finance.

The Sino-Japanese War was, as stated above, the first international war which Japan had waged since the Restoration of Meiji. Abroad it raised the status of Japan and proved her to be in reality the protector of the safety and peace of the Far East, and thus gave her an established position among the great powers of the world. At home, it enabled her to realize her own power, through the experience of a continental war, and at the same time gave her the opportunity to rise in power, through victory in this war, in accordance with the forward policy laid down at the time of the Restoration. Even the tragic incident at the close of this war, the interference by the three European Powers, was only an added incentive to the

nation to exert her utmost energy for the development of national power and the replenishment and expansion of the provisions for national defense. Naturally the expenditures greatly increased, because an enormous amount of money was needed at the time of the war, not only for war expenses but also for the increase in the ordinary administrative expenses owing to the war, and again after the war to repay the principal and interest of the various war bonds. These were assuredly the reasons why the annual national budget increased so much after the Sino-Japanese War.

The effects of the war upon national finance may be discussed under two headings—

(1) Securing of a war fund and readjustments incident thereto.

(2) Post-bellum enterprises.

The first of these two points was discussed in detail in the third Chapter of Part I, under the heading "Supply of War Funds," so we shall omit it here. We might remark here, however, that the only item under this head which caused financial trouble in later days was the issue of war bonds.[1] The redemption and interest payments on these bonds were completed in July, 1910. We shall discuss this matter in detail in the next section.

As for the enterprises undertaken after the war, they were many and various. The chief items were (1) rehabilitation and expansion of the army and the navy (the latter on a scale commensurate with the change in the national status after the war) and the establishment of an iron foundry; (2) improvement of educational institutions in order to cherish and develop the national strength, increase of legations abroad, river repairs, railway construction and improvement, extension of the telephone system, expansion of foreign trade, subsidies for shipbuilding, encouragement of navigation and extension of sea traffic, readjustment of the monetary system, perfecting of financial facilities and agricultural institutions,

[1] Amount of bonds issued, 124,920,750 *yen;* amount actually received, 122,437,687 *yen.*

colonial development of Hokkaido, and the establishment of various facilities for the government of the newly acquired territories. In order to put the foregoing plans into execution, the government approved the national budget outlined below:

1. Plan to meet the increase in expenditure after 1896:

(a) As sources of revenue to meet ordinary expenditure due to post-bellum undertakings, a *sake* tax, a business tax, and a registry tax shall be levied, and a leaf tobacco monopoly established.

(b) For army and navy expansion and for the establishment of a new iron foundry, a part of the indemnity collected from China was to be used.

(c) As sources of revenue for railway and telephone improvement or extension, bonds were to be issued.

2. Plan to meet the war expenditure, dispose of the indemnity received from China and provide a budget system for Formosa:

(a) As the indemnity was collected from China in yearly instalments, it seemed wise to appropriate the money for use in a continuation plan embracing a certain number of years. Thus the indemnity was appropriated for the redemption of war debts, army and navy expansion, the establishment of an iron foundry, a reserve fund for emergencies and a subsidy to the Bank of Agriculture and Industry.

(b) The annual budget for Formosa was to be separated from the general accounts of the central government and a plan worked out relative to annual revenue and expenditure which should be instituted to enable Formosa gradually to establish a system of self-government.

3. Plan to extend facilities for transportation, communication and finance:

(a) Bonds were to be issued to meet the expense of improvement and extension of railways and telephones.

(b) The service capacity of the Bank of Japan and the Yokohama Specie Bank were to be enlarged and in addition a hypothec bank and banks of agriculture and industry were to be established.

We shall now briefly consider the amount required and the resources available for the fund to carry out the proposed plans, including the extension of the means of national defense, the perfection of railway and telephone systems, the establishment of a new iron foundry, and especially the encouragement of navigation.

Table I at the end of this chapter[1] and the following tables will give a fair idea of the effects of the Sino-Japanese War upon our national finance as a whole.

Comparing the total amounts in Table I[1] with the total annual expenditure, we see that in ten years these amounts actually correspond (in average) to approximately 28.29 per cent of the total annual expenditure.

COMPARISON OF EXPENDITURES FOR POST-BELLUM ENTERPRISES WITH THE TOTAL ANNUAL EXPENDITURES

Fiscal year	Total expenditure for principal post-bellum enterprises	Total annual expenditures	Percentage of post-bellum expenses to total annual expenditures
	Yen	*Yen*	*Per cent*
1894	2,827,463	78,128,643	3.62
1895	5,279,892	85,317,179	6.19
1896	29,303,746	168,856,509	17.35
1897	85,048,595	223,678,844	38.02
1898	94,813,702	219,757,569	43.14
1899	112,062,975	254,165,528	44.09
1900	118,639,050	292,750,059	40.53
1901	98,278,837	266,856,824	36.83
1902	75,965,524	289,226,731	26.27
1903	67,137,005	249,596,131	26.90
Total	689,356,789	2,128,334,017	28.29[a]

[a] Average.

In order to secure this large amount, the government, as stated before, adopted the measures of increasing taxes, issuing bonds and transferring the war indemnity. The following table will show the most important items of revenue:[2]

[1] *Post*, p. 141.

[2] The figures for the revenue from newly established taxes were taken from the actual receipts and the figures for the old taxes whose rates were raised were taken from the estimate of the expected increase.

The revenue from the bond issues means the revenue from the bonds issued for the railways, the industries, the Hokkaido railways, and the Formosan enterprises.

REVENUE FOR POST-BELLUM ENTERPRISES

Fiscal year	Revenue from increase of taxes	Transfer of indemnity fund	Issue of bonds	Total
	Yen	*Yen*	*Yen*	*Yen*
1896.....	15,708,589	11,789,389	2,796,600	30,294,578
1897.....	29,701,472	40,360,796	36,389,874	106,452,142
1898.....	35,617,100	46,187,071	35,352,806	117,156,977
1899.....	63,810,962	32,636,905	35,166,404	131,614,271
1900.....	85,710,491	31,240,140	38,139,599	155,090,230
1901.....	90,404,052	20,883,427	31,721,764	143,009,243
1902.....	95,621,115	13,866,937	12,741,033	122,229,085
1903.....	100,073,693	9,514,215	6,881,256	116,469,164
Total ...	516,647,474	206,478,880	199,189,336	922,315,690

With the expansion of the general national finance owing to the aforesaid causes, the expenditure of the local governments naturally increased in proportion. Table II at the end of this chapter[1] was taken from the report of the investigation of the Home Department to show the actual condition as to expansion of revenue and expenditure of local communities.

The cause of this increase in expenditure was largely due to the increase required for construction work, encouragement of industry and educational enterprises, because of the policy adopted by local communities to develop the national resources and industries in accordance with the post-bellum plans of expansion. According to the Japanese system of government, the local communities (prefecture, city, borough, township, village) have been invested with complete power as legal persons, and the officials in these local communities, besides performing their duties to the communities, are called upon for the additional service of managing the various local enterprises entrusted to them by the central government and of supervising the expenditure therefor. With a change in the status of the nation the duties of these local officials were correspondingly increased, and hence the increase in local expenditure. Thus, since the expansion of the finance of local governments inevitably keeps pace with the advance-

[1] *Post*, p. 142.

ment of a nation, it was natural that with the national expansion along various lines after the Sino-Japanese War, an increase in local expenditure should take place also.

In short, after the Sino-Japanese War, Japan spent enormous amounts for central and local administration in view of the post-bellum enterprises, that is, for expansion of means of defense, development of resources and industries, and for improvement of education. The pressure of this increase of expenditure upon the people was certainly crushing. This together with the changes caused by the war upon economics in general produced serious effects upon the economic world, which lasted throughout the entire period in which the post-bellum enterprises were being prosecuted, as we state more fully later. But, on the other hand, our fellow countrymen, moved by the new self-realization following the war, and by the feeling of uncertainty concerning the national existence due to the insult inflicted upon us by the interference of the triple European Powers, rose to the occasion, and sturdily resisted the paralyzing pressure of circumstances. We have successfully prosecuted the post-bellum enterprises started by the government, mastered all difficulties by developing the power of resistance, and finally raised the nation's prestige so high that within the short period of ten years or so Japan has risen to be a mighty power in her recently enlarged sphere in the Far East. This fact should be remembered in discussing the financial expansion of the nation. This indomitable spirit asserted itself more and more, so that Japan did not retrograde in any direction. This is the reason why we have peace in the Orient, a fact which should be recorded as in the nature of a miracle.

State Finance

We have briefly reviewed the effects of the Sino-Japanese War upon the national finance in general. To sum up, the expenditure in the first year after the war, 1896, was twice as large as that for the year before the war, 1893, and three years after, in 1899, it was three times as large. This tendency

to increase continued steadily until the year 1903 just before the Russo-Japanese War. Such was the history of the expenditure. As for the revenue, in 1897 it was twice as large as in 1893, and the tendency to increase continued. In 1893 the revenue was 113,769,380.54 *yen* and the expenditure 84,581,871.56 *yen;* that is, there was an excess of 29,187,508.97 *yen* of revenue over expenditure, so that the rate of expansion of the revenue in later years was not so extraordinary as that of the expenditure. Table III at the end of this chapter[1] was compiled to show these facts.

The direct effects of the Sino-Japanese War upon our finance were felt in securing special administration funds for the war and in connection with the war (hereafter called war expenses). The total amount of these expenses was approximately 236 million *yen*. The greater part of this amount was secured through the issue of war bonds and the transfer of the war indemnity, so that it did not have any very serious effect upon the ordinary revenue of the nation, as we have stated before.[2] Consequently the burden of the war expenses which had to be borne afterward was confined to the redemption of the war bonds and the payment of interest on them. We shall later explain this point in detail.

Thus it will be seen that the greatest effects of the Sino-Japanese War upon our finance were in connection with post-bellum enterprises. Of those undertaken since 1896, the chief, as stated before, were the enlargement of the army and navy, the establishment of an iron foundry, the building and improvement of railways, the extension of the telephone system, the extension of educational work, the establishment of the Hypothec Bank, the Banks of Agriculture and Industry and the Bank of Formosa, enterprises in Formosa, undertakings in agriculture, industry and commerce and the adjustment of water courses. All these enterprises had for their object the perfecting of the means of national defense and the developing of the wealth of the nation. We shall here briefly describe the plans for these post-bellum enterprises.

[1] *Post*, p. 143. [2] Pt. 1, Chap. III.

(1) According to the documents introduced in the Diet, together with the budget in 1896, the post-bellum enterprises were planned to be completed in ten years, from 1896 to 1905, with the amount of expenditure estimated at about 587 million *yen;* the tax system was readjusted, a part of the war indemnity was to be transferred to the fund and bonds were to be issued to meet the remainder. The following is the total expenditure for the ten years.

TOTAL EXPENDITURE FOR PERIOD 1896–1905

	Yen	*Yen*
Expansion of means of defense:		
Army	205,802,866	
Navy	145,572,264	
		351,375,130
Extension of enterprises:		
Iron foundry	4,095,793	
Railway to be built between Sorachita and Asahigawa	1,178,330	
Improvement of existing government railway lines	26,553,000	
Extension of telephone exchange system	12,802,102	
First year's interest on telephone and railway bonds	1,278,080	
Establishment of bureaus to handle leaf tobacco and capital	12,213,550	
		58,120,855
Expansion of administrative expenditure:		
Principal and interest payments on loans	110,401,056	
Annual salaries of soldiers, rewards and pensions	112,940,810	
Expense of collecting increased taxes	12,653,833	
Expenses of soldiers stationed in Weihaiwei and various Formosan expenses	27,500,000	
Subsidies to banks	13,750,000	
Expenses of printing and issuing bonds	598,520	
		277,844,219
Total		687,340,204

The complete ten-year plan for revenue to meet the foregoing items of expenditure is as follows:

TEN-YEAR REVENUE PLAN, 1896–1905

	Yen
Natural increase of annual revenue	147,698,971
Increased taxes and adjustment of tax system	246,543,081
Fund to pay off the expenses of guards at Weihaiwei	5,250,000
War indemnity	40,093,387
Bonds	133,648,889
Profits from bonds for railway and telephone enterprises	11,680,414
Total	584,914,742

(2) The plans for post-bellum enterprises did not end with those mentioned in the foregoing paragraphs. Both the number of enterprises and the amount of appropriation asked for were increased. In the enlarged scheme the principal items were means of defense, construction of railways and establishment of an iron foundry. The change in the plan relating to expenditure necessitated a change in the plan for securing revenue. The taxes were increased again, the amount transferred from the war indemnity was also increased and the bond issue enlarged, thereby maintaining the balance between expenditure and revenue. This point will be explained in detail later.

There is one more point to be noted here, and that is regarding the revenue from the indemnity of the Sino-Japanese War. The total amount of the indemnity and other special funds was 368,248,691 *yen*. The war indemnity and other revenues were handled as a "Special Account Fund" in accordance with our accounting regulations. These separate amounts are shown as follows:

	Yen	*Yen*
Indemnity for war expenses	311,072,865	
Indemnity for return of Liaotung Peninsula	44,907,499	
Interest on indemnity employed profitably	8,888,224	
		364,868 588
Fund to pay back expense of maintaining guards at Weihaiwei		3,380.103
Total		368,248,691

The indemnity as analyzed in the foregoing paragraph was an adequate source of revenue for conducting post-bellum enterprises and replenishing the war fund. The total amount actually transferred for the support of post-bellum enterprises was 278,690,217 *yen*. The details are as follows:

		Yen
Repayment of Sino-Japanese War expenses		78,957,165
Transferred to fund for various post-bellum enterprises:	*Yen*	
Army expansion	56,781,709	
Navy expansion	139,157,096	
Establishment of iron foundry	579,762	
Fund for special war expenses, transportation, communication, 1897	3,214,485	
		199.733,052
Total		278,690,217

The foregoing amounts were drawn from the 364,868,587 of indemnity. The fund to pay back the expense of maintaining guards at Weihaiwei was from the beginning transferred from the general account. Of the indemnity received, 20 million *yen* was transferred to a fund for the use of the Imperial family, 50 million *yen* to three funds, viz., one for replenishing warships and torpedo boats, another for emergencies due to natural disasters and the third for educational purposes, while 12 million *yen* was transferred to the General Account in 1898.

The greater part of the indemnity and the special revenues was used for the war and for various other expenses connected with the war. The indemnity has had a considerable effect upon our national finance. We shall discuss it in detail later.

Expansion of means of defense

The government recognized, after the war with China, that the then existing army and navy were inadequate, in view of the condition of the country at that period, and formulated a plan of expansion which was put into execution from 1895.

For the first period of expansion, the army asked for an appropriation of 43,320,000 *yen* as a fund for a continuation plan to extend over four years, from 1895 until 1899, and the navy asked for 94,770,000 *yen* as a fund for a similar plan covering the seven years from 1895 until 1903. The general outline of these plans of expansion was for the army to establish additional divisions and to construct fortresses, etc., and for the navy to increase its strength by means of new warships and torpedoes. Up to that period our military strength was seven divisions for standing service, with about 50,000 men in time of peace and 200,000 in time of war. According to the new plan six new divisions were to be added, so that in peace the number of men would be 150,000 and in war about 600,000. And the navy which had up to that period 50,000 tons of warships, was to be increased to 200,000 tons or more. The new plans of expansion were severely criticised by the people.

There was much opposition in the national Diet. But the nation generally recognized the need of expansion of the means of defense, and the plans were at length carried out.

But in the first period of expansion, the army counted only the cost of erecting fortresses, building barracks, securing the first supply of arms and implements for use in camp and other immediately necessary expenses for the standing army. The arrangements necessary for war preparedness had not yet been perfected. The navy counted only the cost of the number of warships and torpedoes which were immediately needed, and in order to perfect the original plan still larger appropriations had to be asked for. Thorough investigation was therefore made as to the unfinished work after that, and, as a result, additional appropriations were asked for in the budget for 1897.

The estimate of expenses for the second period of expansion was 38,350,000 *yen* for the army as a fund for the continuation plan from 1897 to 1903; and 118,320,000 *yen* for the navy for a similar plan from 1897 to 1905; totaling 156,670,000 *yen* for both army and navy. These demands of the army and navy were secured through the approval of the Diet.

In 1899 the third period of expansion was entered upon in accordance with the plans described in the foregoing paragraphs. The establishment of the seven army divisions was perfected and fortresses were improved or newly made in the islands of Formosa and Pescadores. For all of these 18,040,000 *yen* was requested, as a fund for a continuation plan extending from 1899 to 1906.

Besides the foregoing, in the same year, the appropriation for army expansion had to be increased owing to the rise in prices, so that an additional 5,210,000 *yen* was appropriated as a fund for repairs, for securing implements and for the miscellaneous expenses of the construction bureau, while the naval expansion fund was reduced by 1,450,000 *yen* after providing for construction of the fortresses already decided upon, owing to a difference in the exchange rates of 3,350,000 *yen*.

Thus the plans for expansion of the army and navy were commenced in 1896 and after going through the first and the second period of expansion were nearly completed when in 1899 the plans for the establishment of the seventh division, and construction of the fortresses in Tsushima, Kielung and Pescadores Island, were carried out, so that great financial problems of the past four years were solved for the time being.

Just how great was the expenditure for defense after these great plans for expansion had been laid, is shown in the following tables:

EXPENDITURES FOR DEFENSE, 1893–1903

Army

Fiscal year	Ordinary	Extraordinary	Total
	Yen	*Yen*	*Yen*
1893	12,419,829	2,301,397	14,721,226
1894	7,828,074	2,580,862	10,408,936
1895	8,410,212	1,605,723	10,015,935
1896	22,613,590	30,628,934	53,242,524
1897	28,746,263	31,401,725	60,147,988
1898	32,562,072	21,335,581	53,897,653
1899	35,577,310	16,973,888	52,551,198
1900	36,123,892	38,714,309	74,838,201
1901	37,433,911	20,947,869	58,381,780
1902	39,169,669	10,272,390	49,442,059
1903	39,355,388	7,529,174	46,884,562
Total	300,240,210	184,291,852	484,532,062

Navy

Fiscal year	Ordinary	Extraordinary	Total
	Yen	*Yen*	*Yen*
1893	5,141,475	2,959,446	8,100,921
1894	4,573,605	5,679,549	10,253,154
1895	4,913,244	8,607,025	13,520,269
1896	7,351,330	12,654,428	20,005,758
1897	9,543,889	40,850,645	50,394,534
1898	11,191,475	47,338,427	58,529,902
1899	14,577,114	47,084,496	61,661,610
1900	16,911,000	41,363,895	58,274,895
1901	19,484,953	24,494,375	43,979,328
1902	21,063,345	15,262,843	36,326,188
1903	21,530,237	14,587,620	36,117,857
Total	136,281,667	260,882,749	397,164,416

From this table it will be seen that after 1896 both the ordinary and the extraordinary expenditures suddenly increased. The amount of increase required by the plan of expansion of the means of defense may be seen from the following, abstracted from the figures in the foregoing table:[1]

INCREASED EXPENDITURES FOR ARMY AND NAVY, DUE TO PLAN OF EXPANSION, 1896–1903

Fiscal year	Army			Navy	Total for Army and Navy
	Ordinary	Extraordinary	Total	Extraordinary	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1896....	4,548,454	8,437,262	12,985,716	4,043,288	17,029,004
1897....	4,981,063	21,914,002	26,895,065	32,487,404	59,382,469
1898....	8,675,720	14,847,021	23,522,741	44,554,683	68,077,424
1899....	12,423,570	14,055,883	26,479,453	45,369,046	71,848,499
1900....	13,171,994	19,202,826	32,374,820	33,238,685	65,613,505
1901....	13,145,759	11,669,525	24,815,284	21,147,756	45,963,040
1902....	13,149,013	6,192,555	19,341,568	12,568,445	31,910,013
1903....	13,423,344	4,628,109	18,051,453	9,552,430	27,603,883
Total .	83,518,917	100,947,183	184,466,100	202,961,737	387,427,837

We have briefly explained the tendency to an increase in both ordinary and extraordinary expenses in accordance with the plan of expansion of the army and the navy. We must now proceed to explain in detail the extraordinary expenditure which is the main thing in the plan of expansion of the means of defense. As we have before stated, this plan was carried out gradually, having been incorporated in the budget of 1896 as the first period, in 1897 as the second, and in 1899 as the third, thereby gradually perfecting the work of national defense as a part of the post-bellum program. The following is a table of the amounts required by this expansion plan:

[1] The ordinary expenditure for the army includes the expenses of the seventh, eighth, ninth, tenth, eleventh and twelfth divisions, the expenses of the guards in Formosa and other miscellaneous expenses, the expenses of the guards in Korea and the expenses of the guards at Weihaiwei. Of these, the last two items have no relation to the plan of expansion of defenses. But as they are the result of the war, they are included in the figures here given. As for the ordinary expenditure for the navy, as it is difficult to single out the expenses due to the plan of expansion, they are not given here separately.

BUDGET OF EXTRAORDINARY EXPENSES DUE TO EXPANSION PLAN

	First period, 1896 on	Second period, 1897 on	Third period, 1899 on	Additional appropriation, 1899	Total
Army:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Construction of fortresses	14,071,894	6,460,520	9,829,134	....	27,010,197[a]
Repairs and initial purchase of arms	17,334,891	19,363,747	8,220,583	5,208,478	50,127,699
Manufacture of arms	8,486,767	9,854,538	....	....	18,341,305
Expansion of plant in arsenal	2,949,108	....	....	....	2,949,108
Expenses of Army Construction Section	479,576	3,542	....	....	483,118
Deficit	....	2,679,790	....	....	2,679,790
Total	43,322,236	38,362,137	18,049,717	5,208,478	101,591,217[b]
Navy:					
Ship construction	47,154,576	78,893,399	....	....	125,169,547[c]
Manufacture of arms	33,751,163	33,176,330	....	....	66,355,072[d]
Construction expenses	13,870,507	6,254,990	....	....	20,125,497
Total	94,776,246	118,324,719	....	....	211,650,116[b]
Grand Total	138,098,482	156,686,855	18,049,717	5,208,478	313,241,333[b]

[a] The difference in exchange rate, 3,351,351 *yen*, has been deducted.
[b] The difference in exchange rate has been deducted.
[c] The difference in exchange rate, 572,421 *yen*, has been deducted.
[d] The difference in exchange rate, 878,428 *yen*, has been deducted.

The results of the execution of the foregoing budget may be seen in the following table:

EXTRAORDINARY EXPANSION EXPENSES

Army

Fiscal year	Construction of fortresses	Repairs and initial purchase of arms	Manufacture of arms	Additional	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1896	1,291,730	5,739,279	934,061	472,192	8,437,262
1897	3,157,624	12,601,558	2,639,205	3,515,615	21,914,002
1898	2,970,401	7,404,500	2,492,243	1,979,877	14,847,021
1899	3,465,359	6,928,578	3,541,755	120,192	14,055,884
1900	5,616,912	9,309,375	4,216,945	59,594	19,202,826
1901	4,433,293	4,482,973	2,706,436	46,823	11,669,525
1902	1,591,202	2,756,393	1,810,659	44,301	6,202,555
1903	2,919,341	1,697,811	....	10,957	4,628,109
Total	25,445,862	50,920,467	18,341,304	6,249,551	100,957,184

Navy

Fiscal year	Construction of ships	Manufacture of arms	Construction of buildings	Total
	Yen	*Yen*	*Yen*	*Yen*
1896.....	3,099,482	799,209	144,596	4,043,287
1897.....	23,913,987	7,218,321	1,355,096	32,487,404
1898.....	30,298,987	12,440,942	1,814,753	44,554,682
1899.....	26,233,569	16,859,198	2,276,279	45,369,046
1900.....	17,565,610	12,498,883	3,174,192	33,238,685
1901.....	9,523,391	7,382,769	4,241,596	21,147,756
1902.....	5,964,095	3,829,959	2,774,391	12,568,445
1903.....	4,826,199	2,592,492	2,134,739	9,553,430
Total....	121,425,320	63,621,773	17,915,642	202,962,735

Increase of administrative expenses

Not only did the administrative expenses of various kinds increase on account of the plans for the post-bellum enterprises after the Sino-Japanese War but by reason of the general national advancement, which added to the increase in administrative expenses. The following table shows the expense of the public debts, the expenditure for defense and the general administrative expenses separately:

Expenditures on Account of Public Debts, Defense, and Administration

Fiscal year	Public Debts	Defenses	General Administration	Total
	Yen	*Yen*	*Yen*	*Yen*
1893.....	19,455,918	22,905,993	43,457,517	85,819,428
1894.....	19,721,143	20,764,267	40,304,766	80,790,176
1895.....	24,190,858	23,671,985	39,580,507	87,443,350
1896.....	30,504,172	73,416,902	68,479,552	172,400,626
1897.....	29,504,731	110,666,757	91,459,859	231,631,347
1898.....	28,379,828	112,634,626	85,990,576	227,005,030
1899.....	34,278,956	114,307,693	105,578,889	254,165,538
1900.....	34,841,135	133,173,581	124,735,343	292,750,059
1901.....	38,085,910	102,248,927	126,521,988	266,856,825
1902.....	76,075,690	85,863,957	127,287,083	289,226,730
1903.....	36,484,520	83,218 026	129,893,585	249,596,131
Total....	371,522,861	882,872,714	983,289,665	2,237,685,240

The following table shows the foregoing different items of expense in their respective ratios, and how large was the ratio of the general administrative expense.

RATIO OF PUBLIC DEBT, DEFENSE AND ADMINISTRATIVE EXPENDITURES

Fiscal year	Public debts	Defenses	General Administration
	Per cent	*Per cent*	*Per cent*
1893	22.7	26.7	50.6
1894	24.4	25.7	29.9
1895	27.7	27.1	45.3
1896	17.7	42.6	39.7
1897	12.7	47.8	39.5
1898	12.5	49.6	37.9
1899	13.5	45.0	41.5
1900	11.9	45.5	42.6
1901	14.3	38.3	47.4
1902	26.3	29.7	44.0
1903	14.6	33.3	52.0

It will be seen from Table IV at the end of this chapter[1] that the various national expenses have increased enormously since 1896. We must here briefly survey the various post-bellum enterprises which were the cause of the increase in the general administrative expenses. Of these, the following may be especially mentioned: (1) establishment of an iron foundry and extension of the same; (2) construction and improvement of railways; (3) extension of telephone exchanges; (4) subsidies to various special banks; (5) subsidies for the encouragement of navigation; (6) sundry expenses incurred for Formosa, etc. These will be explained in the order above enumerated.

ESTABLISHMENT AND EXTENSION OF IRON FOUNDRY

The establishment of an iron foundry was the most important of the post-bellum enterprises, because the demand for iron manufactures increased enormously every year. Then in connection with the plan to extend the means for national defense it was plain that, as iron was the principal material used in building warships and manufacturing arms, in case of emergency the supplies must be obtainable at home. Thus the iron foundry came to be established. As to the expense of its establishment, 4,095,793 *yen* were asked for in the national budget in 1896, and later, in 1898, 6,474,056 *yen* more were

[1] *Post*, p. 144.

added, so that the entire expense amounted to 10,569,849 *yen*.

The work of establishing the iron foundry gradually progressed, and in 1899 experiments in manufacturing from iron were being made, so that there was urgent need of securing a fixed sum as operating capital in order to commence work. The enterprise of the iron foundry is a great industry with far-reaching effects. The necessary supplies of ore, coal, cement and other materials can not be secured in sufficient amount from a few private mining concerns. Then, again, considered from the economic point of view, as it is more advantageous for an iron foundry to own its own mines, it appeared necessary to secure a fund for purchasing mines from which to obtain raw material. To hasten the work of constructing the harbor at Wakamatsu to secure transportation conveniences, suitable subsidies must be given to the Wakamatsu Harbor Construction Company. In order to secure perfect results from the work of the iron foundry, the appropriation for expenses must be reasonably increased. So, in 1899, 8,632,845 *yen*[1] were added, the total amount finally reaching 19,202,694 *yen*.

To meet this expense, 579,762 *yen* were raised from indemnity and 18,622,932 *yen* from bonds. The result of the plan is seen in the following table:

Fiscal year	Establishment of iron foundry	Supplementary appropriation	Investigation	Total
	Yen	*Yen*	*Yen*	*Yen*
1896.....	157,529	....	....	157,529
1897.....	709,224	....	....	709,224
1898.....	1,747,572	....	....	1,747,572
1899.....	3,011,008	....	....	3,011,008
1900.....	7,126,198	....	....	7,126,198
1901.....	5,853,335	322,762	....	6,176,097
1902.....	490,117	495,429	17,942	1,003,488
1903.....	820,011	20,454	....	840,465
Total....	19,914,994	838,645	17,942	20,771,581

[1] 500,000 *yen* were for harbor construction at Wakamatsu, and 4,000,000 *yen* a reserve to be used as operating capital.

CONSTRUCTION AND IMPROVEMENT OF RAILWAYS[1]

The new railway system was inaugurated by the Railway Construction Act promulgated June 20, 1892. The continuation plan adopted was to include a period of sixteen years, beginning with 1893. At the time of the Sino-Japanese War the total amount of the expense of railway construction as required by this continuation plan reached 59,921,663 *yen*. Thus the work of railway construction steadily progressed and the railway lines were extended. But, at the same time, the business of transportation increased year by year, and the demand for service on the already constructed lines increased more and more, so that the existing lines and the number of cars in use were not sufficient to meet the demand. Moreover, under abnormal conditions, service had to be refused to the general public, as for instance, in time of war. So the government, as the first step in advance, changed the whole of the Tokaido Government Railway from a single to a double-track line. Necessary improvements were added to the stations on this, and also on the Shin-Yetsu line, the number of cars was increased, and it was generally planned to give entire satisfaction to both passengers and shippers in the way of transportation facilities. This scheme was established as a continuation plan to be worked between 1896 and 1902, beginning in 1896. The entire expense for improvement was estimated at 26,553,000 *yen*.

The work of railway construction steadily progressed in accordance with the plan outlined in the foregoing paragraph. In 1897 there was need of an increase in the fund for construction expenses between Tsuruga and Toyama, and between Hachioji and Nagoya. Thus, in that year 8,103,381 *yen* were added, and in 1899 the fund for construction expenses between Tsuruga and Toyama and between Sinonoi and Shiojiri was increased by 5,133,281 *yen*, bringing the total amount up to 73,158,325 *yen*. Then, in 1900, 19,529,886 *yen* were added in connection with the construction of the line between Fuku-

[1] See Table V at the end of this chapter, *post*, p. 145.

shima and Aomori, and also 2,156,248 *yen* as construction expense for the line between Kaidaichi and Kure, so that at the end of 1900 the cost of constructing railways during the first period had reached 94,844,459 *yen*, and the additions made to the first estimates for construction after the war amounted to 61,475,796 *yen*.

Besides the foregoing, in 1897 a plan for railway construction in Hokkaido was formulated, involving an expenditure of 18,562,050 *yen* and another in 1900 for Formosa with an expenditure of 28,800,000 *yen*. We shall explain this plan later. The totals in Table V at the end of this chapter[1] show the actual results of this improvement and construction work all over the country. The funds for these railway undertakings were mostly secured by the issue of bonds. To be more specific, as shown in the table, about 77 per cent of the fund was obtained from bond issues and the rest was from the ordinary annual revenue.

EXTENSION OF TELEPHONE EXCHANGES

Since the telephone exchange service was commenced between Tokyo and Yokohama in 1890, and between Osaka and Kobe in 1892, the applications for telephone installation have increased year by year, so that even the present development of the system is not equal to the demand. As there were many other cities besides the four mentioned above which demanded service, after the war the government planned to establish a telephone system in Kyoto and the thirty-five other cities which needed it most urgently; then the single-line system already established was changed to a double-line system. Other extensions were planned. In 1896 the so-called continuation plan was instituted to be carried out between 1896 and 1902 with the sum of 12,802,107 *yen* appropriated for the entire cost of the extension. Furthermore, in order to increase the telegraphic lines the government executed a continuation plan between 1897 and 1898 with a budgetary estimate of 705,338.90 *yen*.

[1] *Post*, p. 145.

The following table shows the annual disbursement for telephone exchange extension, the actual result of the extension, and the sources from which the fund was derived:

DISBURSEMENTS AND REVENUE FOR TELEPHONE EXCHANGE EXTENSION

Fiscal year	Cost	Sources of ordinary annual revenue	Bonds issued	Total revenue
	Yen	*Yen*	*Yen*	*Yen*
1896	594,196	....	594,196	594,196
1897	2,473,420	....	2,473,420	2,473,420
1898	1,896,119	....	1,896,119	1,896,119
1899	1,781,655	....	1,781,655	1,781,655
1900	2,349,786	....	2,349,786	2,349,786
1901	1,807,587	....	1,807,587	1,807,587
1902	1,615,532	437,875	1,177,657	1,615,532
1903	268,556	72,790	195,766	268,556
Total	12,786,851	510,665	12,276,186	12,786,851

SUBSIDIES TO VARIOUS SPECIAL BANKS

Another method adopted to improve financial facilities after the Sino-Japanese War was the granting of subsidies to various banks, as tabulated below.

Fiscal year	Hypothec Bank	Agricultural and Industrial Bank	Hokkaido Colonial Bank	Formosa Colonial Bank	Industrial Bank of Japan	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1897	55,052	991,625	....	....	....	1,046,677
1898	30,010	1,983,355	....	....	....	2,013,365
1899	30,873	1,990,008	250,000	250,000	....	2,520,881
1900	....	1,996,010	250,000	....	....	2,246,010
1901	....	940,224	200,000	....	....	1,140,224
1902	....	213,901	200,000	250,000	64,541	728,442
1903	....	5,000	....	....	....	5,000
Total	115,935	8,120,123	900,000	500,000	64,541	9,700,599

ENCOURAGEMENT OF NAVIGATION

Special encouragement to navigation was early planned in accordance with the proclamation issued in September, 1886. The government thereupon subsidized the Nippon Yusen Kaisha to the extent of 880,000 *yen* annually, thus enabling

that company to institute regular service between Yokohama and Shanghai, Kobe and Tientsin, Kobe and Neuchang, Kobe and Vladivostok, between various other points in Japan proper and Hokkaido and various points along the line. But the period of effectiveness of the proclamation expired in September, 1900, and it then became necessary to establish a policy to govern the regular service in the future. Previous to that, in 1896, with the object of encouraging navigation, the government had promulgated a law according to which subsidiary grants would be made to ships which should subscribe to certain requirements. The highest amount designated for this purpose was one million *yen* annually, but the actual result of the operation of this law was such an increase in ships that in 1897 no less sum than 1,700,000 *yen* was required for this purpose, while in 1898 the amount needed for subsidies and extension of steamship routes ran above five million *yen*. Now after the term of subsidy to the Nippon Yusen Kaisha had expired, it was found that if the general law were to be applied to the company in the future as it had been in the past the expense would be increased enormously. So discussion centered about the point whether the general regulations should be applied to the leading regular service routes, or new special regulations should be established. The government decided upon the latter course, and introduced into the Diet a bill which was later approved empowering the government to sign a contract for an annual subsidy of 580,000 *yen* for five years, from October, 1900, to September, 1905, for the chief regular connecting lines of communication between Japan and Russia, and China and Korea (the Yokohama-Shanghai, the Kobe-Korea, the Kobe-North China, Kobe-Korea-North China, and the Kobe-Vladivostok routes) and between Japan proper and Hokkaido (the Kobe-Otaru and the Aomori-Muroran routes). In addition, the government decided to subsidize the regular service along the coasts of Hokkaido (between Hakodate and Nemuro, between Otaru and Wakanai, between Nemuro and Abashiri, and between Nemuro and Etorofu) from October,

1900, to September, 1905. To the Yangtze-Kiang, the Shanghai-Soochow, and the Shanghai-Hankow steamship lines, a certain amount of subsidy was to be given every year to enable them to maintain regular service. At the same time, with a view to restricting the expenditure of the fund, the government decided to subsidize only the regular service of three steamship lines, European, Seattle, and San Francisco, for ten years, i.e., from 1900 to 1909, to the extent of 2,673,894 *yen* for the European, 654,030 *yen* for the Seattle, and 1,013,880 *yen* for the San Francisco service. The government then revised the regulations so that after January, 1899, the amount of subsidy granted to ships constructed in foreign countries would be cut in half and the period of assistance limited to 18 years, from October 1, 1896.

In addition, the government promulgated regulations for the encouragement of shipbuilding, by which ships built according to a prescribed set of regulations might receive grants, as an aid to the development of navigation.

The several budgets required to carry out the foregoing plans are shown in the following table:

SHIP SUBSIDIES

Fiscal year	Extension of steamer routes	Encouragement of navigation	Encouragement of shipbuilding	Total
	Yen	*Yen*	*Yen*	*Yen*
1896.....	134,775	880,000	....	1,014,775
1897.....	538,702	708,384	13,109	1,260,195
1898.....	671,321	2,580,802	213,875	3,465,998
1899.....	896,898	3,957,315	187,380	5,041,593
1900.....	4,205,729	1,188,762	152,930	5,547,421
1901.....	5,554,440	906,203	581,094	7,041,737
1902.....	6,387,713	676,300	411,348	7,475,361
1903.....	6,332,448	802,431	437,810	7,572,689
Total....	24,722,026	11,700,197	1,997,546	38,419,769

SUNDRY EXPENDITURES IN CONNECTION WITH FORMOSA[1]

Formosa came into our possession as a result of the Treaty of Shimonoseki. The various expenses incurred in connection

[1] Especially those in connection with special undertakings in Formosa and in Weihaiwei.

with the island increased considerably the annual expenditure.

The expenditure in connection with Weihaiwei was that made necessary by its military occupation to guarantee the fulfilment of the Treaty of Shimonoseki. It was the sum in excess of the amount paid by the Chinese Government for the guards' service there. Article VIII of said treaty recognized the right of our army to occupy Weihaiwei as such guarantee. And in Article I of the supplementary treaty, China agreed to pay 400,000 *taels* as one-fourth of the expense of a temporary occupation of Weihaiwei by the Japanese Army. But as the terms of the treaty were perfectly fulfilled, and especially as the payment of the indemnity was completed May 7, 1898, this item of expense in connection with Weihaiwei became unnecessary. After that date, of the items of expense mentioned above, those for Formosa, according to the budget for 1896, were 18,489,811 *yen* in all, and these are explained in detail below. The same amount has been appropriated each year ever since.

	Yen
Civil administrative expense	5,928,705
Defense expense	7,710,481
Extraordinary Formosan expense	4,850,625

But after 1897 the annual receipts and disbursements in Formosa were turned over to a special account, with a view to making Formosa self-supporting. A reform of the government of Formosa was planned. The number of officials there was reduced, some of the government offices were abolished and some amalgamated, the ordinary administrative expenses were economized, and at the same time, an increase in revenue from Formosa was definitely anticipated. Further, new local taxes were collected, thereby considerably assisting the finances of Formosa. Consequently, the relief fund in the Treasury for administrative expenses, which had amounted to six million *yen*, as we mentioned before, was reduced to three million *yen* in 1899. It was gradually reduced after that until in 1910 it ceased to exist. While therefore the ordinary administrative expenses of Formosa were economized so that

Formosa was being led on to self-support, at the same time necessary enterprises in the new possessions could not be neglected. So the government decided to carry out a continuation plan extending over seven years with a total appropriation of 35 million *yen* for financing various enterprises, such as (1) construction of railways, (2) investigation of land, (3) construction of harbors, and (4) building new offices for the government general. These will now be explained further.

(1) A north-and-south railway in Formosa was considered a necessity from the point of view of military and industrial development. The government at first granted a permit to a private concern. But as the work was not begun at once, and there was no prospect that the railway would ever be built in this way, it was necessary for the government to build the line itself.

(2) The land in Formosa had never up to this time been surveyed carefully, and land registry was in a complicated condition. Besides, as there were the two systems existing of large and small leases and other peculiar conditions attached to the land, it was a very difficult task to establish a good land system. Indeed such readjustment was impossible without a careful survey.

(3) The harbors and bays of Formosa, with one or two exceptions, could hardly be recognized as such, and even in the case of the exceptions, extensive work was needed to make them safe places for ships to anchor. Now after Formosa came into Japan's possession the number of ships coming and going between Japan proper and Formosa steadily increased. Not only so, but the Formosan trade gradually developed, so that it became a matter of urgent necessity to reconstruct the harbors and bays of the island in order to make them a safe anchorage for ships. The water works and government buildings also were of direct and indirect necessity in developing Formosa. The following table gives the amounts needed for these various undertakings:

	Yen
Formosan railway construction and improvements ...	28,800,000
Kielung harbor improvement	2,000,000
Temporary land survey in Formosa	3,000,000
New buildings for the Government General	1,200,000
Total	35 000,000

Table VI at the end of this chapter[1] shows the actual expenditure made by the Treasury for Formosa for the chief items.

The actual account for the guards at Weihaiwei was 917,677 *yen* in 1896; 855.588 *yen* in 1897, and 85,576 *yen* in 1888.

Besides the foregoing, the chief undertakings planned after the Sino-Japanese War were improvement of water courses, extension of educational plants, development of Hokkaido, subsidy for harbor construction, establishment of agricultural experiment stations and schools for sericulture, development of foreign trade, erection of a hall for exhibiting goods for foreign trade (after 1896), special forestry administration (after 1899), improvement of live stock, investigation of sulphur mines, establishment of industrial experiment station (after 1900), also increasing legations abroad and extending the customs service.

As the government thus launched out ambitiously in various directions, the budget expanded enormously after the war. The total amount of the ordinary and extraordinary annual expenditure in 1900 amounted to nearly 300 million *yen*. Later, when the extension of defenses and the other continuation plan had been nearly completed, the annual expenditure for these purposes was stopped and the extraordinary expenditure was reduced. Yet before the Russo-Japanese War, that is, in 1903, the amount did not fall below 249 million *yen*. A part of this increased expenditure was obtained from the indemnity and a part from the bond issue, but the balance had to be taken from the ordinary revenues of the government. On that account an increase in taxes was several times required. We shall now disclose in the following chapters the sources of revenue for the foregoing various items of expenditure.

[1] *Post*, p. 146.

Bonds and indemnity

BONDS

(1) War Bonds—The bonds issued to pay off the expenses of the Sino-Japanese War were the so-called war bonds. The total amount of the issue was 124,920,750 *yen*, with net receipts to the government of 122,437,687 *yen*. The period of issue of these bonds stretched from September, 1894, to November, 1896. The receipts from the bond issue were used entirely for war expenses. As this has been already explained we shall not repeat the details here. But below we shall show the burden imposed upon the Treasury in consequence of the bond issue.

DETAILS OF BOND ISSUE [a]

Fiscal year	Redemption of principal		Interest paid	Total
	Face value	Amount paid		
	Yen	*Yen*	*Yen*	*Yen*
1894	....	....	78,223	78,223
1895	....	....	2,937,055	2,937,055
1896	....	....	5,431,824	5,431,824
1897	....	.....	6,082,643	6,082,643
1898	....	....	6,206,077	6,206,077
1899	8,339,300	8,001,558	6,094,789	14,096,347
1900	....	....	5,819,049	5,819,049
1901	....	....	5,825,219	5,825,219
1902	940,300	912,255	5,785,426	6,697,681
1903	....	....	5,779,344	5,779,344
1904	....	....	5,774,769	5,774,769
1905	....	....	5,792,879	5,792,879
1906	....	....	5,701,388	5,701,388
1907	....	....	5,779,263	5,779,263
1908	2,235,200	2,151,128	5,674,934	7,826,062
1909	4,889,300	4,986,746	5,677,813	10,664,559
1910	108,516,650	108,739,883	2,721,485	111,461,368
Total	124,920,750	124,791,570	87,162,180	211,953,751

[a] A word should be said regarding the amount paid for redemption of the principal. The amount paid was only 78,452,300 *yen* or the amount of the face value of the bonds reduced, by purchase and exchange, by 46,339,271 *yen*. Thus the amount paid for redemption and the face value of the bonds did not coincide.

The net receipts were, as before stated, 122,437,687 *yen*, so that after all the amount paid in for redemption exceeded

the net receipts by 2,353,884 *yen*. The net burden to the Treasury in consequence of the war bonds issued was therefore this last figure, to which should be added 89,516,064 *yen* for the interest payments, and, in addition, about 500,000 *yen* for the cost of printing and preparing the bonds and also the expense connected with making the redemption and interest payments.

(2) Sundry bond issues in connection with the post-bellum enterprises. When the government was casting about for funds to finance the post-bellum enterprises, it decided to secure such by the issue of bonds for productive enterprises, as the building of railways and extension and improvement of telephone facilities. In consequence, as we have seen, an enormous number of bonds appeared, such as the industrial bonds, the railway bonds, the Hokkaido railway bonds and the Formosan industrial bonds, which were decided upon in 1892.

The industrial bonds were issued in accordance with the industrial bonds act, Law No. 59, promulgated March 29, 1896, in order to secure a fund for various post-bellum enterprises.

The amount was at first fixed at 135 million *yen* and later increased to 148,991,834 *yen*. This amount was apportioned to various enterprises, as follows:

Nature of enterprises	Amount	Remarks
	Yen	
Expense of improving government railways already built	26,553,000	
Expense of building Hokkaido railways (Sorachita to Asahigawa)	1,178,330	Afterward increased one *yen*, i.e., 1,178,331.
Expense of establishing an iron foundry	3,516,031	Afterward changed to 18,622,932 *yen*, i.e., an increase of 15,106,901 *yen*.
Expense of extending telephone exchanges	12,802,102	Afterward increased 5 *yen*, i.e., 12,802,107 *yen*.
Establishment of transaction office of leaf tobacco and its operating capital	12,213,550	
Expenses of army and navy extension	77,458,907	
Army 18,459,484		
Navy 58,999,423		
Interest on bonds for the first year	1,278,080	Afterward 163,007 *yen*, i.e., a decrease of 1,115,073 *yen*.

Law No. 93, promulgated May 13, 1896, for the building of the Hokkaido railways, provided for the construction of the line from Asahigawa, Ishikari province, through Tokachida in Tokachi province, and Atsukishi in Kushiro province, to Abashiro in Kitami province; a line from Ribetsu in Tokachi province, through Ainouchi in Kitami province and Atsukishi in Kushiro province, to Nemuro in Nemuro province; a line from Asahigawa to Soya; a line from Uryu plain in Ishikari province to Masuge in Teshiwo province; a line from Nayoro in Teshiwo province to Abashiri, and a line from Otaru to Hakodate; for all of which it was decided to issue bonds to the amount of 33 million *yen*.

Next, the object of Law No. 4, for railway construction, issued June 20, 1892, was to build to the limit of expenditure of 60 million *yen* the Central, the Hokuriku, the Kokuyetus, the Oou, the Sōbu, the Jōban, the Kinki, the Sanyo, the Sanin, the Shikoku, the Kyūshū and other lines. Laws, Nos. 11 and 12, issued in March, 1895, revised Law No. 4, and added more lines. As a result, the total amount of the appropriation was changed to 94,844,459 *yen*.

The industrial bonds, the Hokkaido railway bonds, and the railway bonds were turned over to special accounts by Law No. 13, issued in February, 1899, providing for special accounts for these three loans. Afterwards these bonds were called the Imperial five per cent bonds.

The government now attempted to obtain a fund for Formosan development expenses by issuing bonds. Law No. 75, of March 20, 1899, provided for the issue of Formosan industrial bonds to the amount of 3,500,000 *yen* for the purpose of building railways, surveying land, constructing forts, and erecting government buildings. The foregoing four classes of bonds may be summarized as shown in the following table.

By these immense bond issues, the government tried to carry out the aforesaid plans for new enterprises within the allotted time. But at that time the money market all over the country was very much depressed, and in consequence it was impossible to float these bonds. Therefore the money had to

Class of bonds	First authorization	Subsequent substitute authorization
	Yen	*Yen*
Industrial	135,000,000	148,991,834
Hokkaido Railway	33,000,000	33,000,000
Railway	60,000,000	94,844,459
Formosan industrial	35,000,000	35,000,000
Total	263,000,000	311,836,293

be transferred either from the Savings Deposits Account of the Finance Department, or from the Indemnity Account. But in June, 1899, 10 million pounds sterling of four per cent bonds in British gold were issued (issue price, 90 per cent commission, 4 per cent net receipts, 86 per cent); and later the money collected in the Deposit Section, or bond redemption fund, was utilized in order to prosecute the work intended to be financed by the bond issues.

Relation of bond issues to the expense of said enterprises.— We shall next consider the details of the amount needed for enterprises, to be prosecuted by means of the money collected by the issue of industrial, railway, and Hokkaido railway bonds, in order to show the relation of the money collected from bond issues to the total expenditure for these enterprises. At the end of this chapter are several tables showing these details. Table VII[1] gives the revenue covering the expenditures for Formosan development for the years 1896–1903 and includes money transferred from the general account, money transferred from indemnity, and money received from bond issues; Table VIII[2] gives the manifold purposes of the industrial bonds for the same period, and Table IX[3] gives the ratio of actual expenditures for Formosan development, also during the same period.

The following table will show the amounts of interest paid on these various bond issues:[4]

[1] *Post*, p. 147. [2] *Post*, p. 148. [3] *Post*, p. 149.

[4] The Imperial 5 per cent bonds refer to the railway, the industrial and the Hokkaido railway bonds. The 4 per cent sterling bonds were that portion of the Imperial 5 per cent bonds issued abroad.

INTEREST PAID ON BONDS

Year	Imperial 5 per cent bonds	Formosan industrial bonds	4 per cent British sterling bonds	Total
	Yen	*Yen*	*Yen*	*Yen*
1893–1895....	325,626	....	....	325,626
1896.....	375,000	....	....	375,000
1897.....	1,287,979	....	....	1,287,979
1898.....	2,840,368	....	....	2,840,368
1899.....	2,840,408	....	....	2,840,408
1900.....	3,031,241	39,215	3,913,203	6,983,659
1901.....	3,276,790	160,812	3,907,816	7,345,418
1902.....	4,127,194	347,283	3,907,934	8,382,411
1903.....	5,967,454	443,018	3,916,066	10,326,538
Total....	24,072,060	990,328	15,645,019	40,707,407

The interest payments amounted to 40,707,407 *yen*. In addition, a certain amount of expense was incurred in transferring money from one bureau to another account, or in borrowing for the purpose of utilizing the money temporarily as capital.

Of the amount accounted for in the foregoing paragraph, exclusive of interest payments on the bonds, the total between the years 1896 and 1903 was 451,281,722 *yen*. The sources from which it was obtained are as follows. It must be noted, however, that the fractions of one *yen* were discarded, so that the detailed figures will not coincide exactly with the total.

	Yen	*Per cent*	*Yen*	*Per cent*
Amount transferred from the general accounts.....			76,485,178	16.95
Indemnity transferred.....			174,875,542	38.75
Amount secured from bond issues:				
Industrial bonds.....	138,846,215	30.77		
Railway bonds.....	56,106,884	12.43		
Hokkaido railway bonds.....	4,967,900	1.10		
			199,921,000	44.30

As shown in the foregoing table, the percentage obtained from the various bond issues to the total needed was 44.30 per cent, the balance having been transferred from the indemnity (38.75 per cent) and from the general account (16.95 per cent), but these bonds were not all issued at home. About half of them, that is, 83,961,800 *yen*, were issued abroad. Furthermore, the money which was not obtained abroad was

secured by transfer from the Treasury surplus or from special account of the indemnity and applied to the prosecution of various undertakings, as we have explained before in detail. Thus, we should note that the funds for the chief expenditure for the various enterprises undertaken after the Sino-Japanese War were furnished by the indemnity and its transfer and the importation of foreign capital. The successful importation of foreign capital was possible, it is needless to say, because the position of Japan in the world had been raised by the Sino-Japanese War; but it was also due, we believe, to the reform of the currency system. This currency reform in 1897 was completed largely by means of the indemnity, as we shall explain elsewhere. When we consider this matter, we should remember that the post-bellum enterprises had a very close connection with the indemnity. That the government undertook these various aggressive post-bellum enterprises at all was due entirely to the indemnity. Here let us glance at the disposition made of the indemnity which furnished so great a service to the post-bellum finance of our country.

INDEMNITY

As a result of the Sino-Japanese War, an indemnity was obtained from China for four purposes, namely, for war expenses; for interest on the deferred payments of the indemnity; for expense of guards at Weihaiwei, and for compensation for the return of the Liaotung peninsula.

The claim for indemnity for war expenses and for interest on deferred payments was based on the Treaty of Shimonoseki signed April 17, 1895, Article IV of which reads as follows:

> China promises to pay to Japan 200,000,000 *taels* in *Kuping* silver as an indemnity for war expenses . . . against any unpaid portions of the indemnity after date of first payment (that is the payment of 50,000,000 *taels* made within six months after the ratification of the treaty of peace) interest at the rate of 5 per cent per annum shall be paid; provided, however, that China may at any time pay the whole or a part of the indemnity in advance of the dates of payment; if the whole of the indemnity shall be paid within three years after the ratification of the treaty (or by May 8, 1898) all interest on the deferred payments of the indemnity shall be waived, and the interest already paid up to that time shall be included in the payment of the principal.

The claim for the indemnification of the expenses of the guards at Weihaiwei was based upon Article VIII of the Shimonoseki Treaty of Peace, as mentioned before, which reads thus:

> China agrees to the temporary occupation of Weihaiwei in the province of Shantung by the Japanese army as a guarantee that the terms of this treaty shall be observed faithfully . . .

and also upon Article I of a separate agreement which stipulates—

> The size of the Japanese Army which shall occupy Weihaiwei temporarily in accordance with Article VIII of the treaty signed today shall not exceed one Japanese Army Corps. China agrees to pay 500,000 *taels* (*Kuping* silver) a year, as one-fourth of the expense of the temporary occupation, beginning from the day said treaty shall be ratified and copies exchanged.

The compensation for the return of the Liaotung peninsula was based upon Article II of the treaty concerning the return of that peninsula which was signed November 8, 1895, and reads:

> The Chinese Government agrees to pay to the Japanese Imperial Government up to November 16, 1895, the sum of 30 million *taels* (*Kuping* silver), as a compensation for the return of the southern part of Mukden province.

As the Chinese Government paid in full the entire amount of the war-expense indemnity by May 8, 1898, as stated before, the interest was waived in accordance with the terms of the treaty, as explained before. Consequently, our country received the following amounts as a result of the war:

Funds	In Chinese currency	In Japanese currency
	Taels	*Yen*
Indemnity for the war expenses	200,000,000	311,072,865
Compensation for the return of the Liaotung peninsula	30,000,000	44,907,499
Expense of guards at Weihaiwei for three years	1,500,000	2,380,103
Total	231,500,000	358,360,467
Interest for the use of the indemnity fund	....	8,888,224
Grand total	231,500,000	367,248,691

Considering the financial and economic condition of our country at the time, the foregoing was indeed an enormous amount, and provided funds for various undertakings after the Sino-Japanese War, such as the improvement of the national defenses and other enterprises; it also led to the expansion of our annual budget. This is the reason why we have presented here in such detail the receipts and expenditures in connection with the indemnity and the effects of the same upon our finance and economy.

Our government, in laying financial plans after the Sino-Japanese War in reference to the indemnity, decided on the policy of applying it to the redemption of the expenses of the Sino-Japanese War, the extension of the army and navy, the establishment of an iron foundry, an extraordinary reserve fund, and a subsidy to the Bank of Agriculture and Industry, thereby laying a foundation for extensive post-bellum enterprises. At the same time, the indemnity was placed under "special accounts," and separated from the general accounts of the government. We shall here enumerate the ways in which the indemnity was used.

The amount available for various enterprises was 364,868,587 *yen*, but the fund for the expense of the guards at Weihaiwei was from the first placed under "general accounts" and was separated from the indemnity account for war expenses.

ENTERPRISES FOR WHICH SINO-JAPANESE WAR INDEMNITY WAS EMPLOYED

	Yen
(1) Redemption of the expenses of the Sino-Japanese War	78,957,165
(2) Expenditure for army expansion	56,781,708
(3) Expenditure for naval expansion	139,157,097
(4) Expenditure for establishing an iron foundry	579,762
(5) Extraordinary war expenses for the year 1897 and for transportation and communication	3,214,485
(6) Transferred to general accounts for the year 1898	12,000,000
(7) Transferred to the Imperial Household	20,000,000
(8) Supplementary fund for warships and torpedoes	30,000,000
(9) Education fund	10,000,000
(10) Reserve fund for calamities	10,000,000
Total	360,690,217
Amount available	364,868,587
Amount employed for enterprises	360,690,217
Balance (transferred to consolidation fund of national bonds)	4,178,370

The details of the revenue and expenditures are shown in Table X and XI at the end of this chapter.[1]

Of the foregoing, the amount used for the redemption of the war expenses, that is, 78,957,165 *yen*, was certainly used in accordance with the original purpose of the indemnity. Not only so, but it had a very salutary effect in the prosecution of the bond policy after the war. At first it was the plan to use the indemnity received in 1895, amounting to 120 million *yen*, for the first period of army and navy expansion. But at that time there was urgent need of issuing bonds or borrowing to the amount of 100 million *yen* for the special account of the Sino-Japanese War, as this amount had to be secured before March, 1896. Now, if the whole of the war indemnity received had been devoted to the purposes of army and navy expansion and the fund for the Sino-Japanese War expenses had been obtained by means of bond issues, the major part of the indemnity would have been buried in the Treasury for three or four years, while all the time the bonds would have been drawing interest—economically, a very wasteful arrangement. Besides, it would not appear technically correct to devote the indemnity obtained from China to expansion of means of defense, without using any portion of it for the redemption of the expenses of the Sino-Japanese War. Thus the original plan was dropped and, as mentioned before, the amount drawn from the indemnity, while the war bonds were not issued, thereby adjusting the matter of the war expenses. By these methods the load on the Treasury and the danger of disturbing the financial market after the war on account of such bond issue were avoided. So the less apparent advantages secured by this change of policy must not be ignored.

Now, regarding the 20 million *yen* presented to the Imperial household in 1898, the government had already decided upon it in a cabinet meeting and was about to introduce a bill to that effect in the National Diet, when the Diet with a unanimous vote passed a resolution of its own accord to present

[1] *Post*, p. 150.

this amount. This was an expression of the loyalty of our nation to the Imperial household; and the fact that the nation did not spend for administrative purposes all of the indemnity from the war, but presented a part of it to the Imperial household in order to help toward perpetuating the glory of the Empire, should be displayed in special type. In presenting it the government used consolidating bonds (face value 21,022,350 *yen*, market value 19,404,050 *yen*, and war bonds (face value 645,450 *yen*, market value 595,905 *yen*), so that these bonds helped the money market both directly and indirectly.

The three funds of which this was the foundation, amounting in all to 50 million *yen*, were as follows:

Item	Gold coin and bullion	Imperial Government bonds		Cash	Total
		Amount	Face value		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Fund for rebuilding of battleships and torpedo boats...	15,041,827	14,958,173	....[a]	..	30,000,000
Educational fund.....	....	9,999,989	10,775,850	11	10,000,000
Reserve fund for natural disasters.....	....	9,999,989	10,775,850	11	10,000,000
Total.....	15,041,827	34,958,151	....	22	50,000,000

[a] Face value, £1,700,000.

The greater portion of these funds was in bonds. The gold coins and the gold bullion, amounting to 15 million *yen*, were deposited with the Bank of Japan with the understanding that when the specie reserve should be reduced to 90 million *yen*, or when the government should have need, the amount deposited should be returned to the government. Thus it had a favorable effect upon the money market. Not only so, but at the time of the Russo-Japanese War this

special fund was transferred and used for war expenses, thereby affording considerable assistance to the government, which fact should be mentioned here.

The foregoing were the undertakings for which the indemnity was actually used. But the influence of the indemnity upon our finance and economy was not confined to these uses. It has been skilfully manipulated to serve in many other important ways; for example, after it was received and until it was finally disposed of, the balance in hand had a favorable effect upon the money market; then again, in order to prevent the outflow of our specie it was used as a reserve for exchange transactions; then in 1898, when bonds could not be issued at home, it was employed temporarily by a system of transfer; and finally it has helped the finances of Japan directly and indirectly by enabling the government to hold securities in England. Thus, while it may be out of place to go into detail regarding these matters in the present discussion, it is perhaps important to add this explanation to maintain a proper balance in point of relative importance of this and other effects.

The first thing to set forth is the service of the indemnity in assisting the establishment of the gold standard system. Our country, as we shall explain later,[1] long since tried to reform our currency system and to change from the double or silver standard to the gold standard. In October, 1893, a committee was organized to investigate the advantages and disadvantages of such a change and earnestly to prepare for it. But the government could not make the change for a long time because the necessary gold reserve could not be secured. When we received the indemnity from China after the Sino-Japanese War it was arranged to receive the payment in British gold. Therefore the specie and gold bullion in payment were shipped here from England and our gold coins were minted from this, thereby rendering practicable the plan of establishing the gold standard. Here, however, we must explain clearly that

[1] *Infra*, p. 159.

in executing this plan the indemnity itself was not used—the coin was merely manipulated to produce this desired result.

Then again, the temporary balance from the indemnity accounts was invested in securities, thus employing it for the relief of the money market. This step had been highly contributory toward the betterment of our finances. For instance, in the first place, in March, 1899, war bonds to the amount of 10 million *yen* were issued, but the result of the subscriptions was not favorable, only 1,500,000 *yen* being subscribed for. So 5 million *yen* out of the remainder of the bonds was subscribed for at face value by the government and later these war bonds were exchanged for the railway bonds held by the Savings Deposits Bureau. The railway bonds, together with the industrial bonds, were later called 5 per cent bonds.

On January 21, 1898, both the industrial and the railway bonds (face value 10,807,350 *yen*, issue price 10,168,636 *yen*) were subscribed for on March 29 at a face value of 5 million *yen*—issue price 4,510,500 *yen*. The stringency of the money market after the war did not permit the issue of these bonds in open market. Yet if this capital could not have been obtained, the various undertakings would have had to be postponed. Besides, difficulties in economic circles were at that time increasing more and more. So the government, in order to relieve the market and at the same time to manipulate the indemnity successfully, decided to purchase 15 million *yen* of the Hypothec debentures and 35 million *yen* of public loan bonds, which were purchased at 96 *yen* per 100 *yen* of face value.

Of the foregoing, the subscription for the Hypothec debentures was made to help extend the loans of the Hypothec Bank of Japan and also to relieve the industrial concerns in Osaka and other places which were in serious financial difficulties at that time. The conditions of the government subscription were that the government should take up the remainder of the whole amount of the bond issue after the popular subscriptions to the bonds had been taken into account, and that the in-

vestment of the capital should be confined to export industries in Osaka, Kyoto and Tokyo, or to goods which would take the place of imported articles. The actual result of the subscription was as follows:

No.	Date	Total amount of loan	Private subscription	Absorbed by indemnity accounts	Total issue
		Yen	*Yen*	*Yen*	*Yen*
1	April 11–22, 1898	1,000,000	477,650	519,450	997,100
2	April 25–28, 1898	1,000,000	44,750	955,250	1,000,000
3	June 8–13, 1898	1,000,000	12,750	987,250	1,000,000
4	Oct. 1–10, 1898	2,000,000	1,413,900	586,100	2,000,000
5	April 1–30, 1899	1,000,000	305,620	694,380	1,000,000
	Total	6,000,000	2,254,670	3,742,430	5,997,100

It is plain, therefore, that about 62 per cent of the entire amount of the bond issue of 6 million *yen* was absorbed by the indemnity accounts. Next, we shall note the circumstances surrounding the purchase by the government of the bonds. On April 15, 1898, for the first time an order was issued to the Bank of Japan to undertake the purchase of the bonds. The result was very successful, so that in October of the same year the money market was gradually relieved and the interest rate of the Bank of Japan was reduced. Therefore on October 10, the order to purchase the bonds was rescinded. The entire amount of the bonds thus purchased at that time was 38,707,770 *yen* (face value) the purchase price being 36,998,826 *yen*.

Again, on April 13, 1899, in order to raise the price of bonds, the government decided to purchase an additional 5 million *yen* of bonds, and thereby succeeded in raising the market price to the face value between April 21 and June 1 of the same year.

We have so far described how the government purchased the negotiable instruments for the purpose of relieving the money market. We shall now show in the following table the amount of the subscription by the government for these bonds and the amount of purchase:

GOVERNMENT SUBSCRIPTION AND PURCHASE OF BONDS

Item	Amount of subscription	Purchase to relieve money market	Purchase to preserve market value	Exchange with deposits section	Total
5 per cent bonds:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Face value	20,807,350	2,700	....	3,100,000	23,910,050
Purchase value	19,679,136	2,527	....	2,966,268	22,647,931
War bonds:					
Face value	....	13,446,550	638,600	....	14,085,150
Purchase value	....	12,897,288	638,683	....	13,535,971
Consolidated bonds:					
Face value	....	21,022,350	1,350,800	....	22,373,150
Purchase value	....	20,146,346	1,340,360	....	21,486,706
Navy bonds:					
Face value	....	426,000	....	....	426,000
Purchase value	....	402,045	....	....	402,045
Kinroku bonds:					
Face value	....	3,810,170	....	....	3,810,170
Purchase value	....	3,550,620	....	....	3,550,620
Total:					
Face value	20,807,350	38,707,770	1,989,400	3,100,000	64,604,520
Purchase value	19,679,136	36,998,826	1,979,043	2,966,268	61,623,273

Increase of taxes and development of government monopoly

The expenses of the Sino-Japanese War were principally met by the issue of bonds and the transfer of the indemnity, thus rendering the increase of taxes in the main unnecessary. But when the government expenditure increased on account of various post-bellum undertakings, funds were secured by increasing certain classes of taxes, by creating others, and by establishing a monopoly on leaf tobacco.

An increase in the taxes took place twice after the Sino-Japanese War. The estimated amount of revenue from the increase was as follows: in the first period, from the fiscal year 1896, the amount was 33,576,293 *yen;* in the second, from the fiscal year 1899, it was 40,346,875 *yen;* in all, 73,923,168 *yen.*

According to the first plan, a business and a registry tax were newly established, a tobacco monopoly also, and the *sake* tax was increased, while on the other hand certain classes of taxes were abolished. The intention was to increase the net receipts to over 26 million *yen.* The receipts were estimated as follows:

	Estimated receipts *Yen*
Registry tax (new) (in force from April 1, 1896)	6,423,993
Business tax (new) (in force from January 1, 1897)	7,551,377
Sake tax (increased) (in force from October 1, 1896)	9,284,544
Leaf tobacco monopoly (newly established) (in force January 1, 1898)	10,316,379
Total	33,576,293
Decrease from abolition of certain taxes	7,552,397
Balance	26,023,896

Later, at the time of the second increase, a tax on tonnage was established, and other taxes were increased, in order to obtain a total of 42 million *yen* a year.

	Yen
Land tax (in force from January 1, 1899)	8,475,958
Income tax (in force from April 1, 1899)	1,494,516
Sake tax (in force from January 1, 1899)	22,556,409
Tonnage tax (in force from August 4, 1899)	237,986
Registry tax (in force from April 1, 1899)	1,846,759
Leaf tobacco monopoly receipts (in force from April 1, 1899)	2,145,550
Tax on convertible bank notes (in force from April 1, 1899)	1,159,560
Soy tax (in force from March 1, 1899)	1,598,387
License to sell tobacco (in force from April 1, 1899)	831,750
Total	40,346,875

The entire increase for the two periods was roughly estimated at 73,923,000 *yen*. Comparing this amount with the total amount of 156,552,359 *yen* from taxes, stamp receipts, and the profits of the leaf-tobacco monopoly for the fiscal year 1900, the year in which the entire actual amount of the increased taxes was to be realized, the estimated amount as mentioned above was about 50 per cent of the entire amount, and compared with 74,697,624 *yen*, which was the amount of revenue from taxes as actually accounted for in the fiscal year 1895, the year previous to the increase in taxes, it is seen to be nearly the same as the entire amount of the tax revenues. We thus see how extraordinary the increase in taxes was. For, whereas in 1895 the amount of revenue from various taxes classed as indirect was 34,507,661 *yen*, against the total amount of revenue of 40,189,963 *yen* from the land and income taxes classed as direct, in 1900 the indirect taxes amounted to 74,788,744 *yen* and the direct taxes to 59,137,351 *yen*. The

ratio of these taxes to the entire revenue from all the taxes was as follows for 1895 and 1900:

Year	Direct	Indirect
	Per cent	*Per cent*
1895	53.8	46.2
1900	44.2	55.8

We shall explain later what kinds of taxes were classed as indirect, for we must note that these indirect taxes constituted one cause of the extraordinary rise in the prices of commodities after the Sino-Japanese War. We shall explain this point more in detail, under the heading "Fluctuation in Prices" in Chapter VIII.

We have thus briefly outlined the plan to increase taxes and the results. The reason why taxes, increased once in 1896, were, within a few years, that is, in 1899, again enormously increased was because of the extraordinary increase in the ordinary expenditure arising from the post-bellum enterprises, the rise in prices consequent upon the economic changes made after the war, and the various enterprises undertaken in the newly acquired territories, since not only were there limitations to the use of the indemnity but there were difficulties in obtaining funds for ordinary expenditure, as the market conditions of the country at the time did not permit the sale of bonds. Naturally, these financial difficulties led to frequent political quarrels and change of cabinets. The national Diet was next dissolved so that the results just stated could be brought about. Before briefly explaining the newly established and increased taxes, we shall present the annual financial status in outline.

We have repeatedly explained before that, in order to meet the various expenditures required by the nation's development after the Sino-Japanese War, and also to meet the expanded administrative expenditure resulting from the rise in prices of commodities and in the cost of labor consequent upon the economic disturbances after the war, our country levied increased taxes to meet the ordinary expenditure and transferred the indemnity and issued bonds to obtain financial

resources for the extraordinary expenditure. But as it was expected that in the fiscal year 1896 there would be a deficit of about 20,360,000 *yen* in the ordinary revenues owing to various expenditures, such as those for the expansion of the means of national defense, the payment of the principal and interest on the war bonds, the Imperial grants of rewards, the annual pensions, the expenditure for Formosa and for Wei-haiwei, etc., and also that these various expenses would increase thereafter, it was estimated that the amount needed to supply the deficit in the annual revenue would be approximately 30 million *yen*. Hence as we stated before, a registry tax and a business tax were newly established, a leaf tobacco monopoly was instituted, and the *sake* tax was increased, so that in all an increase of 26,023,896 *yen* from taxes was secured. Although the increase in taxes was thus effected, yet in that fiscal year the revenue from the registry tax amounted to only about 2,720,000 *yen* (deducting the revenue from abolished taxes). The deficit so caused was made good by transferring an equal amount from the surplus in the Treasury left over from the previous year, the government being thereby barely enabled to balance the annual revenue and expenditure. The next year, 1897, the budgetary item for expenditure was also enormously increased. But, as the increase in taxes had been effected in the previous fiscal year, there was a revenue of 16 million *yen* from the increase (net revenue about 10 million *yen* after deducting the revenue from abolished taxes), and in addition a natural increase in revenue from other sources; so that the ordinary revenue for that year showed an increase of about 20 million *yen* compared with the previous year, thereby enabling the government to maintain a reasonable balance between the annual revenue and expenditure. But until the succeeding year the entire estimated amount of revenue from the increased or newly established taxes could not be obtained. So the deficit was supplied from the surplus in the Treasury and from a certain amount transferred from the indemnity. But in 1898, owing, on the one hand, to an extraordinary increase in expenditure

(amounting to about 5 million *yen*) for the encouragement of water transportation, the extension of shipping routes, and the replenishment of the fund for various enterprises in Formosa (amounting to about 10 million *yen*) and on the other hand, to a decrease in revenue (amounting to about 5 million *yen*), because of the abolition of the tax on registry of population, the decrease of the business tax, etc., there was again a deficit in the ordinary revenue amounting to 21 million *yen*. Thereupon, the government tried to secure the entire amount or an increase of 25 million *yen* from the land and *sake* taxes. But the net revenue from increased taxes for the fiscal year 1898 amounted to only a little more than 8 million *yen*. The revenue for this year included about 9,500,000 *yen* of the increase in the land tax, but 170,000 *yen* were expended for the collection of the revised *sake* tax, and 910,000 *yen* for the expenses of land revaluation, while 330,000 *yen* were estimated as a decrease through the prohibition of home *sake* brewing. It was planned to meet the deficit thus caused by means of a loan. But at that time, the government—the Matsukata Ministry—lost control of the political situation. The Diet did not approve the ministry, and passed a resolution to that effect. Thereupon the Diet was dissolved and at the same time the bill to increase the tax was voted down. Consequently, the only way to supply the deficit was to make use of the indemnity or temporary loans.

Thus, in a short time, the Matsukata Ministry fell, and the second Ito Ministry was formed. The new Diet formed after the dissolution was commanded to assemble May 19, 1898. In that year, as before stated, there was a deficit in the annual revenue and the disparity between revenue and expenditure was great. As it was plain that this situation would be continued into the following year, the government again planned an increase in the taxes in order to be ready to meet any emergency. It was estimated that the deficit in the ordinary revenue would be 35 million *yen* as itemized on the next page.

So, the government, to offset this deficit, tried to obtain an

	Yen
Sundry expenses in Formosa	11,240,000
Encouragement of water transportation and extension of shipping routes	4,870,000
Redemption of bonds	7,000,000
Prison expenses paid out of Treasury	3,550,000
Fund established for relief of sufferers from natural disasters	500,000
Interest on Chitsuroku bonds	460,000
Increase in the ordinary expenditure on account of the rise in prices	6,860,000
New enterprises on account of revision of treaties with foreign countries	2,550,000
Total	37,030,000
Excess of revenue	1,500,000
Balance (deficit in revenue)	35,530,000

increase in revenue from the land tax of 17,550,000 *yen*, the income tax of 1,640,000 *yen*, and the *sake* tax of 12,410,000 *yen*, totaling 31,600,000 *yen*. In addition, an increase was planned from the telegraph services, 430,000 *yen*, from the railway profits, 3,240,000 *yen*, totaling 3,600,000 *yen*, which would bring the grand total of increase to 35,200,000 *yen*. But the Diet considered it unreasonable to deliberate upon an increase in annual revenue not accompanied by corresponding expenditure. Therefore, the bill for revision of the land tax regulations was rejected by a great majority on June 10, 1898. The Diet was again dissolved, and the Ito Ministry fell on June 30. The Okuma Ministry which succeeded also fell on October 31 of the same year, on account of troubles among the members of the party, and was followed by the Yamagata Ministry.

In reviewing the budget for the year 1899, we find that the revenue amounted to 188,738,437 *yen* and the expenditure to 226,344,792 *yen*, the deficit in revenue being 37,606,355 *yen*. The following are the principal items of increase in the ordinary expenditure which account for this deficit:

	Yen
Encouragement of water transportation and extension of shipping routes	3,790,462
Sundry expenses in Formosa	12,121,597
Army expenses	1,275,310
Navy expenses	3,578,368
Army expansion	5,140,798
Temporary repair of warships and torpedoes	440,432
Sundry expenses in connection with revision of treaties and execution of laws in practice	1,961,425
Sundry expenses for education	1,508,310
Increase in expenditure of various government departments	6,141,562
Total	35,958,264

There was also urgent need for effecting the payment of prison expenses out of the treasury reserve and for establishing a fund for the relief of sufferers from natural disasters. For these purposes, the sum of 46 or 47 million *yen* was required, but as the indemnity had already been allotted to various uses, only a very small amount remained available. As for a new bond issue, that was out of the question at this time when the money market was so tight. But as the foregoing items were practically of the nature of ordinary expenditure, a second period of tax increase was planned. Accordingly, the rates on land, income, *sake*, registry, convertible bank notes, soy, and tobacco business were raised, the rate of revenue from the leaf-tobacco monopoly was increased, and a revenue from postoffice and telegraph service was planned, amounting in all to 42,020,219 *yen*. These taxes have been discussed before, but we may here mention the fact that in anticipation of the proceeds to result from the new tax law the deficit in the annual revenues was made up by a transfer of a part of the indemnity. The first increase in taxes yielded 33,576,293 *yen* additional revenue, the second, 42,020,219 *yen*, a total of 75,596,512 *yen*. But in the early part of 1900 the Boxer troubles occurred in China and on June 26 of the same year Imperial Emergency Ordinance No. 277 was issued, authorizing the government to use, for the Boxer punitive expedition, a part of the three funds which had been established with the indemnity obtained from China, viz., (1) for building warships and torpedo boats, (2) for meeting emergencies from natural disasters, and (3) for promoting education. Before the end of 1900, 28 million *yen* from these funds had been employed for the aforesaid purpose. Accordingly, in 1901, an attempt was made to repay the Boxer expenditure and reimburse these three funds by raising the taxes on *sake* and sugar and raising, or at least regulating, the customs tariff rates, since it had been decided to replace revenue raised from bond issues with that raised from taxation. It was decided to raise additional revenue from the leaf-tobacco monopoly also. The bill to increase the taxes was vigorously

opposed for a time by the House of Peers. But after an Imperial order had been issued, the bill was successfully passed, and the various bills as passed were put in force from October 1, 1901. As stated before, the increase in taxes for the year 1901 was planned principally for the purpose of repaying the expenses of the Boxer war. But as the expenditure of the money thus raised was not confined to this, a further increase soon became necessary. Such were the evil effects of the post-bellum enterprises. We shall here tabulate the increase from the various taxes as follows:

	Yen
Beer tax	229,047
Revised tariff regulations	141,374
Sugar consumption tax	2,718,867
Leaf-tobacco monopoly price changed	3,204,287
Total	6,293,575

This increase amounted to about 6 million *yen* so that the whole increase reached about 82 million *yen*. We shall leave the detailed explanation concerning the foregoing various kinds of taxes to the volume dealing with the investigation of taxes and shall here confine ourselves to saying a few words concerning the development of government enterprises.

After the Sino-Japanese War, the newly planned or extended government enterprises were the tobacco monopoly, the railways, the iron foundry, and the post and telegraph offices. The reasons for starting said enterprises were as follows: The iron foundry was considered indispensable for defense purposes, the extension of the railways was planned in order to develop the wealth of the nation, and as to the reform in the regulations for postal and telegraphic service and railway freight made in the year 1899, this was made for quite other purposes than the replenishment of the annual revenues. The leaf-tobacco monopoly, on the other hand, was started altogether for the replenishment of the annual revenues, and was the first of the monopolistic enterprises undertaken by Japan.

As we have already briefly described the iron foundry in discussing the extension of national defenses, and shall

explain the extension of railways in Chapter VI, we shall here dwell chiefly upon the leaf-tobacco monopoly.

The leaf-tobacco monopoly is especially notable for two reasons, first, because out of the entire budget the amount secured from its revenues was the largest in the financial program hurriedly formulated after the Sino-Japanese War[1] (in the first period of tax increase, 10,316,379 *yen;* in the second period, 2,145,550 *yen*, total 12,461,929 *yen*), and second because with its institution the monopoly system was first established as a government enterprise. It may indeed be proper to discuss the subject here as one development of government enterprises; but especially because it belongs to the class of consumption taxes, it is explained here.

The leaf-tobacco monopoly was established to replace the stamp tax on manufactured tobacco provided for in the tobacco-tax law of 1876. The annual revenue from the stamp tax had been very small, in 1876 amounting to only 80,000 *yen*. Later, it increased to between 50,000 *yen* and 60,000 *yen* for about seven years. In 1884, as a result of the revision of the law, the revenue reached approximately 1,000,000 *yen*, and after the revision of 1889, between 1,500,000 *yen* and 2,300,000 *yen*. But if the rate of a tax be raised the tax is liable to be dodged and the object—to secure an increase in revenue—frustrated. Thus the tobacco monopoly came to be established, with the object of controling the sale legally. The government was to supervise the raising of tobacco, and the tobacco raisers to secure a special permit from the government to raise tobacco and to sell the crop to the government, after inspection, before harvesting or after the crop had been dried. They were not permitted to dispose of this to private parties or to consume it privately, and the government, after purchasing, was to sell to the tobacco manufacturers, thereby securing a margin of profit. This plan was executed from January 1, 1898, in accordance with Leaf-Tobacco Monopoly Law No. 35, promulgated on March 27, 1896.

[1] Article 12, Leaf-Tobacco Monopoly Law No. 35.

To be more specific, the government had the privilege of monopolizing the sale of all the leaf tobacco produced but must sell the produce at a fair price, the producers being required to report their products to the government. The produce left over in the hands of the tobacco manufacturers before January 1, 1898, which was the date of the execution of the new law, was to be governed by the tobacco tax law in force before that date. But at that time, the import tariff rate of our country was very low in accordance with the old treaty stipulations, so the importation of foreign tobacco increased considerably; the more so as the direct exportation of leaf tobacco was permitted to the producer without first selling it to the government.[1] Unscrupulous merchants often took advantage of this right and thus the desired result of the monopoly system could not be obtained. Therefore, on January 1, 1899, the tariff law was reformed and the existing evils removed, as by Law No. 28, issued on March 1, 1899, the government was to buy or import leaf tobacco. Again, the manufacture of tobacco or the monopolistic sale of leaf tobacco was permitted to those securing a license issued on payment of a fee (in the case of manufacturers, 50 *yen* each for manufacturies, and 50 *yen* each for dealers). This was done to increase the revenue by raising the rate.

The government, as a basis for estimating the profit from the monopoly, fixed the average price of manufactured tobacco throughout the country in 1894 at 22 *sen* per 100 *momme* (1 *momme* = 58 grains troy). From this four *sen*, four *rin*, and two *mo* of stamp tax was deducted, so that the net market price was fixed at 17.58 *sen*. Since 100 *momme* of manufactured tobacco requires 145.56 *momme* of leaf tobacco as material, at the aforementioned market price 100 *momme* of leaf tobacco would be worth 12.137 *sen*. The rate of revenue for the government from this was fixed at 35 per cent so that the amount of revenue for the government was 4.248 *sen*. But the average selling price of leaf tobacco by the growers was fixed at 5.084 *sen* per 100

[1] Article 12, Leaf-Tobacco Monopoly Law No. 35.

momme. The following table will show the basis of monopoly prices:

	Sen
Profit of the treasury (35 per cent.)	4.248
Commission for brokers for transportation (11 per cent.)	1.026
Sundry manufacturing expenses (about 20 per cent.)	2.000
Profit of the manufacturers and of the dealers (33 per cent.)	4.027
Total	16.385

If this total is compared with the price of leaf tobacco, that is 12.137 *sen*, to which the stamp tax of 3.034 *sen* must be added, making a total 15.171 *sen*, it will be seen that as a result of the tobacco monopoly established by the government the market price would become higher by about 1.214 *sen*.

Now, according to the estimate of the government, the entire production of leaf tobacco throughout the country amounted to 24,285,260.182 *kwan*[1] and at the rate of 4.248 *sen* of profit per 100 *momme* for the government, as per the foregoing table, the revenue of the government, it was estimated, would be 10,316,379 *yen*. But the actual results of the monopoly did not come up to this estimate, as will be shown below. In the year 1901 the profits of the government amounted to 10,866,699 *yen*, but if we remember that the rate of profit then was 150 per cent, we may realize what the situation was.

The annual amount of leaf tobacco produced throughout the country for several consecutive years was as follows:

	Amount produced	Amount received by government	Price paid by government	Price per *kwan*
	Kwan	*Kwan*	*Yen*	*Yen*
1898	8,280,882	8,177,711	5,967,625	0.730
1899	13,714,724	13,493,327	8,039,214	0.596
1900	13,315,291	13,309,991	7,720,610	0.580
1901	8,484,374	8,626,506	5,792,281	0.671
1902	8,349,505	8,430,071	6,123,339	0.726
1903	11,506,790	11,474,249	8,660,353	0.755
Total	63,651,566	63,511,855	42,303,422	

[1] 1 *kwan* = 8¼ lbs. av.

Now the rate of revenue was based upon 84 per cent of the purchase price paid (the monopoly on imported tobacco was commenced from 1899 and the purchase price was based upon the same). Later, from July, 1898, to August, 1900, the rate increased to 100 per cent; from August 22, 1900, to 130 per cent; in the year 1901 it was 150 per cent; and in the year 1902 between 140 and 180 per cent.

The amount and the percentages of profit are given below, in a table which will show that the estimated revenue was at last obtained in the year 1902.

	Expense of procuring leaf tobacco	Profit	Percentage of profit
	Yen	*Yen*	*Per cent*
1897	375,005	292,141	77.9
1898	5,867,618	5,145,999	86.2
1899	8,040,416	7,559,533	94.0
1900	8,221,584	7,244,159	88.1
1901	6,840,999	10,868,699	158.8
1902	6,921,933	12,367,569	178.8
1903	9,743,213	14,898,291	152.9
Total	46,010,768	58,376,391	126.87[a]

[a] Average.

Now, at the time of the increase in taxes, in 1902, it was planned to obtain 1,673,344 *yen* from the post and telegraph revenues; while the direct object was not to replenish the annual revenue, yet the change in the telegraphic rate and the railway fare produced an increase of over 2,200,000 *yen* in the annual revenue. With this increase, telegraphic apparatus was increased, wires were extended, and the means of communication were otherwise improved in order to help the development of the government enterprises.

Local Finance

As the finance of the central government expanded after the Sino-Japanese War, so the expenditure of the local governments for educational and industrial development expanded proportionately, to keep pace with the national

development. The following table will show the general increase in the annual expenditures of prefectures, cities, towns and villages, which are the local self-governing units of our country.

INCREASES IN ANNUAL EXPENDITURES OF PREFECTURES, CITIES, TOWNS AND VILLAGES

Fiscal year	Prefectures (Do, Fu, Ken)	Cities (Shi)	Villages (Cho and Son)	Comparison annual expenditure from national treasury
1893.....	100.0	100.0	100.0	100.0
1894.....	106.0	114.8	110.0	92.4
1895.....	101.2	138.8	119.7	100.9
1896.....	129.1	176.8	134.3	199.9
1897.....	163.4	235.0	170.2	283.4
1898.....	170.3	250.8	193.5	259.8
1899.....	197.8	343.2	223.3	300.5
1900.....	212.3	435.6	263.0	346.1
1901.....	219.6	506.1	296.6	315.5
1902.....	236.8	593.0	311.5	342.0
1903.....	245.6	589.7	316.4	295.1

As shown in the foregoing table, the expansion of the finance of the local government was much the same proportionately as that of the nation. In the case of cities the percentage of increase was especially great. The table on page 139 will show the percentage of various items of expenditure of the local governments to the total and also the percentage of increase in the expenditure in the year 1904 compared with that of the year 1895.[1]

The table on page 139 shows that of the various items of expenditures, those for construction and for the police in prefectures, those for construction, education and bond issues in cities, those for construction, education and offices in towns and villages, amounted to enormous sums. It shows, again,

[1] In the annual expenditure, prefectural expenses for sanitation are included among other items, also the prison expenses were turned over to the national disbursements, in the year 1902. The administration of the police and the prisons is a governmental work and does not belong to the incorporated local communities, so that these expenses of administration do not appear in the expenditure of cities, towns and villages.

RATIO OF EXPENDITURES OF 1904 AND RATE OF INCREASE OVER 1895

	Prefectural expenditure		City expenditure		Town and village expenditure	
	Percentage	Rate of increase	Percentage	Rate of increase	Percentage	Rate of increase
Police	16.15	101.2	..	..	..	..
Construction	31.55	148.9	14.32	721.6	16.51	48.0
Educational	12.30	659.1	22.05	385.9	35.82	250.1
Encouragement of industry	2.90	813.0	0.36	257.4	1.21	504.1
Sanitary	..	..	4.81	795.3	5.94	546.6
Prison expenses for prefectures	6.79	..	..	..	..	..
Bond issue	3.88	419.4	13.53	805.1	5.65	1,269.4
Office	..	..	8.49	278.4	23.16	112.0
Conferences	..	..	0.58	58.7	1.08	62.3
Other	26.70	102.9	35.87	427.5	10.63	979.2
Total	100.00	145.6	100.00	489.7	100.00	216.4

that the percentage of increase was especially remarkable in educational, industrial, sanitation and bond-issue expenditure. This shows how the local governments have been endeavoring to improve education and to develop wealth to keep pace with the central government and help in the advancement of the nation. It was indeed in keeping with the general tendency to encourage the post-bellum enterprises of the nation. Table XII at the end of this chapter[1] shows the percentage of increase in educational, sanitation, industrial and bond-issue expenditure.

The expenditure for education mentioned in the foregoing table refers to that of local communities, that is, for public schools and the general education of the people. The expenditure for sanitation was for preventing disease, for disinfection, and for arrangements for public sanitation. The expenditure for encouragement of industries was made to encourage agriculture, industry and commerce. All these were calculated to help conserve and increase the national power, but appeared in the local government budgets only in connection with the post-bellum enterprises of the nation.

As for the direct financial effects of the war, there must have been various items of expenditure, such as the expense of

[1] *Post*, p. 151.

farewell receptions for the soldiers who went to the front, the relief of the survivors of the dead, and other similar items, which would have increased the expenditure considerably. But the exact data are lacking and, besides, the patriotism of our countrymen, their enthusiasm to serve their country, the ardent desire of the people to relieve their own relatives, have created the sentiment that it is a great honor to die at the front and have lessened the burdens of the local government in relieving the survivors of the dead, so that it will not be far wrong to state that the expenditure for these purposes did not burden the local governments very much.

TABLE I.—EXPENDITURES FOR POST-BELLUM ENTERPRISES, 1894–1903

Fiscal year	Interest payments and redemption of war bonds	Extension of defenses	Improvements of railways and telephones	Iron foundry	Subsidies for navigation, ocean traffic and shipbuilding	Expense of bond issues in connection with post-bellum enterprises	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1894.....	78,223	....	2,661,532	....	....	87,708	2,827,463
1895.....	2,937,055	....	2,126,170	....	....	216,667	5,279,892
1896.....	5,422,824	17,029,004	5,304,614	157,529	1,014,775	375,000	29,303,746
1897.....	6,082,643	59,382,469	16,326,085	709,224	1,260,195	1,287,979	85,048,595
1898.....	6,206,077	68,077,424	12,476,263	1,747,572	3,465,998	2,840,368	94,813,702
1899.....	14,096,347	71,848,500	11,966,747	3,011 008	5,041,993	6,098,380	112,062,975
1900.....	5,831,054	65,613,505	19,102,867	7,126,198	5,547,421	15,418,005	118,639,050
1901.....	5,812,054	45,963,040	16,958,159	6,176,097	7,041,737	16,327,750	98,278,837
1902.....	6,670,930	31,910,013	16,200,232	1,003,488	7,475,361	12,705,500	75,965,524
1903.....	5,781,084	27,604,883	15,007,043	840,465	7,572,691	10,330,839	67,137,005
Total..	58,918,291	387,428,838	118,129,712	20,771,581	38,420,171	65,688,196	689,356,789

TABLE II.—EXPANSION OF REVENUE AND EXPENDITURES OF LOCAL COMMUNITIES

Fiscal year	Prefectures (Do, Fu and Ken)		Cities and Boroughs		Towns and Villages		Total	
	Revenue	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	Expenditures
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893.....	31,814,408	24,503,801	10,010,530	4,498,354	24,092,044	22,451,441	65,916,982	51,453,596
1894.....	29,564,486	26,002,550	10,384,807	5,162,694	26,281,612	24,696,361	66,230,905	55,861,605
1895.....	27,735,312	24,802,643	10,971,171	6,242,411	28,950,750	26,875,827	67,657,233	57,920,881
1896.....	41,033,209	31,630,455	11,125,116	7,953,773	32,337,160	30,153,171	84,495,485	69,737,399
1897.....	46,039,194	40,047,227	13,662,068	10,568,795	40,866,834	38,201,816	100,568,096	88,817,838
1898.....	47,639,596	41,719,721	15,311,641	11,279,650	46,691,007	43,442,879	109,642,244	96,442,250
1899.....	56,271,279	48,478,005	20,286,939	15,436,949	54,005,200	50,139,276	130,563,418	114,054,230
1900.....	58,873,689	52,022,567	25,015,417	19,591,252	63,413,680	59,050,058	147,302,786	130,663,877
1901.....	60,152,935	53,812,386	29,064,758	22,763,684	71,729,878	66,594,477	160,947,571	143,170,547
1902.....	65,720,554	58,026,046	32,565,161	26,674,961	75,432,026	69,941,267	173,717,741	154,642,274
1903.....	65,687,820	60,182,942	33,181,804	26,525,665	76,360,343	71,034,451	175,229,967	157,743,058
Total...	530,532,482	461,228,343	211,579,412	156,698,188	540,160,534	502,581,024	1,282,272,428	1,120,507,555

TABLE III.—EXCESS OF REVENUE OVER EXPENDITURES, 1893–1903

Fiscal year	Revenue		Expenditures		Excess of revenue	Ratio of revenue to expenditures
	Amount	Percentage	Amount	Percentage		
	Yen		*Yen*		*Yen*	
1893	113,769,381	100.0	84,581,872	100.0	29,187,509	134.5
1894	98,170,028	86.3	78,128,643	92.4	20,041,385	125.7
1895	118,432,721	104.1	85,317,179	100.9	33,115,542	138.8
1896	187,019,423	164.4	168,856,509	199.6	18,162,914	110.8
1897	226,390,123	199.0	223,678,844	264.5	2,711,279	101.2
1898	220,054,127	193.4	219,757,569	259.8	296,558	100.1
1899	254,254,524	223.5	254,165,538	300.5	88,986	100.0
1900	295,854,868	260.0	292,750,059	346.1	3,104,809	101.1
1901	274,359,049	241.2	266,856,824	315.5	7,502,225	102.8
1902	297,341,424	261.4	289,226,731	342.0	8,114,693	102.8
1903	260,220,758	228.7	249,596,131	295.1	10,624,627	104.3
Total	2,345,866,426		2,212,915,899		132,950,527	

TABLE IV.—OUTLINE OF GENERAL ADMINISTRATIVE EXPENSES [a]

Fiscal year	Treasury	Grants, rewards and pensions	Educational	Encouragement of industry	Communication	Protection and encouragement of private enterprises	Miscellaneous	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893.....	3,181,403	1,454,666	1,181,697	1,556,968	7,137,545	1,813,484	27,131,754	43,457,517
1894.....	3,119,452	2,218,561	1,199,599	1,363,929	9,165,932	1,924,004	21,313,289	40,304,766
1895.....	3,457,397	2,103,858	1,263,442	1,456,846	9,631,990	1,924,688	19,743,185	39,580,506
1896.....	3,687,026	3,516,880	1,960,610	1,850,814	15,878,283	1,742,999	39,842,940	68,479,552
1897.....	12,768,203	3,661,704	2,995,471	3,100,369	29,193,622	4,171,049	35,569,441	91,459,859
1898.....	7,706,701	3,713,800	3,255,934	4,160,922	27,571,045	7,204,161	32,378,013	85,990,576
1899.....	8,889,820	4,201,037	4,629,580	6,612,904	31,354,500	9,197,737	40,693,310	105,578,888
1900.....	7,758,423	4,688,183	6,292,389	11,514,982	42,869,401	9,187,553	42,424,413	124,735,344
1901.....	8,574,340	8,201,714	6,762,648	10,970,327	40,672,597	8,658,660	42,681,702	126,521,988
1902.....	8,319,951	5,426,464	7,671,463	6,802,762	41,252,727	9,031,403	48,782,312	127,287,082
1903.....	10,231,258	5,734,894	7,707,674	9,820,198	40,031,451	9,043,449	47,324,661	129,893,585
Total..	77,693,974	44,921,761	44,920,507	59,211,021	294,758,193	63,899,187	397,885,020	983,289,663

[a] Other items were the expenses of the Imperial family, the Cabinet, the Privy Council, the Imperial Diet, the Foreign Office, the Home Office, the Judicial Office, the Formosan Expense fund, etc.

TABLE V.—COST OF IMPROVEMENT AND CONSTRUCTION OF RAILWAYS AND METHOD OF DEFRAYAL

Fiscal year	Improvement of existing government railways			Construction of new railways			Total revenue		
	Ordinary revenue	Revenue from bonds	Total	Ordinary revenue	Revenue from bonds	Total	Ordinary revenue	Revenue from bonds	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893....	....	....	....	....	1,237,556	1,237,556	....	1,237,556	1,237,556
1894....	....	....	....	....	2,661,532	2,661,532	....	2,661,532	2,661,532
1895....	....	....	....	....	2,126,170	2,126,170	....	2,126,170	2,126,170
1896....	....	1,166,300	1,166,300	....	3,544,118	3,544,118	....	4,710,418	4,710,418
1897....	....	5,900,162	5,900,162	....	7,952,503	7,952,503	....	13,852,665	13,852,665
1898....	....	3,332,684	3,332,684	....	7,247,460	7,247,460	....	10,580,144	10,580,144
1899....	....	1,950,496	1,950,496	....	8,234,595	8,234,595	....	10,185,091	10,185,091
1900....	691,752	3,839,472	4,531,224	....	12,221,857	12,221,857	691,752	16,061,329	16,753,081
1901....	451,799	2,690,091	3,141,890	....	12,008,681	12,008,681	451,798	14,698,773	15,150,571
1902....	1,944,451	861,409	2,805,860	7,871,087	3,907,752	11,778,839	9,815,539	4,769,161	14,584,700
1903....	2,279,729	612,130	2,891,859	10,969,589	877,039	11,846,628	13,249,318	1,489,169	14,738,487
Total.	5,367,731	20,352,744	25,720,475	18,840,676	62,019,263	80,859,939	24,208,407	82,372,008	106,580,415

TABLE VI.—EXPENDITURES FOR FORMOSA [a]

Fiscal year	Expenditure for Formosan guards, etc.	Subvention fund	Bonds issued for deficit	Total	Bureau of Formosan Affairs	Formosan enterprises	Miscellaneous	Total expenditures
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1895.....	....	....	....	....	1,435	....	....	1,435
1896.....	3,607,935	....	....	....	645	3,591,205	89,309	7,289,094
1897.....	3,878,412	5,959,048	....	5,959,048	11,854	1,041,098	975,928	11,866,340
1898.....	3,945,620	3,984,541	....	3,984,541	3,397	....	741,194	8,674,752
1899.....	4,642,255	3,000,000	3,200,000	6,200,000	....	....	1,206,989	12,049,244
1900.....	4,460,283	2,598,611	5,500,000	8,098,611	....	....	1,225,783	13,784,677
1901.....	4,246,743	2,386,689	4,864,383	7,251,072	....	....	769,625	12,267,440
1902.....	3,587,215	2,459,763	4,740,000	7,199,763	....	....	1,093,397	11,880,375
1903.....	3,310,148	2,459,763	4,068,752	6,528,515	....	....	1,155,743	10,994,406
Total....	31,678,611	22,848,415	22,373,135	45,221,550	17,331	4,632,303	7,257,968	88,807,763

[a] This table is not intended to be exhaustive as it includes only the special statistics given out for publication. Under "miscellaneous" the expenses of the naval bureau, of the construction of fortresses at Kielung and Pescadores, and also the miscellaneous expenses of the army department are included.

TABLE VII.—REVENUE COVERING EXPENDITURES FOR FORMOSAN DEVELOPMENT

Year	Transferred from general account	Transferred from indemnity	Bonds issued				Total Revenue
			Industrial[a]	Railway	Hokkaido Railway	Total	
1896	21,282,487	11,770,872	2,416,251	3,544,118	.....	5,960,369	39,013,728
1897	4,836,045	40,379,314	33,401,039	7,952,502	868,159	42,221,700	87,437,059
1898	4,058,834	34,187,071	34,041,594	7,247,460	1,097,047	42,386,101	80,632,006
1899	8,281,822	32,636,905	25,762,047	8,347,475	982,082	35,091,604	76,010,331
1900	11,898,756	31,240,140	22,905,781	12,221,857	1,007,430	36,135,068	79,273,964
1901	8,581,730	20,883,428	14,223,362	12,008,681	625,337	26,857,380	56,322,538
1902	15,959,491	13,866,937	3,788,096	3,907,752	305,185	8,001,033	37,827,461
1903	20,798,716	9,514,215	1,852,805	877,039	82,659	2,812,503	33,125,434
Total	95,697,881	194,478,882	138,390,975	56,106,884	4,967,899	199,465,758	489,642,521

[a] The manifold purposes of the Industrial bonds are shown in Table VIII.

TABLE VIII.—DETAILS OF INDUSTRIAL BONDS FOR FORMOSAN DEVELOPMENT

Purposes	1896	1897	1898	1899	1900	1901	1902	1903
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Fortresses constructed	....	1,063,847	1,910,501	1,220,177	671,653	190,055	24,378	58,455
Repairs and first supply of necessities	....	2,533,069	1,157,360	409,902	232,444	44,302	7,199	1,239
Manufacture of arms	....	431,266	2,206,623	2,096,382	1,743,670	479,399	29,426	....
Extraordinary expenses of army construction and extension of arsenal plant	....	880,346	639,982	116,703	....	....	....	....
Naval expansion	....	11,853,508	19,403,164	14,674,492	6,942,577	3,159,247	1,297,911	985,215
Establishment of iron foundry	....	325,519	1,708,270	3,011,008	7,126,178	5,852,680	390,117	....
Expansion of telephone exchanges	594,196	2,473,420	1,896,119	1,781,655	2,349,786	1,807,587	1,177,657	195,766
Improvement of government railways	1,166,300	5,900,162	3,332,684	1,950,497	3,839,472	2,690,091	861,409	612,130
Construction of Hokkaido railways	444,167	701,819	30,715	....	....	....	....	....
Capital for leaf-tobacco monopoly	....	4,000,000	1,000,000	....	....	....	....	....
Expenses of leaf-tobacco monopoly bureau	211,588	3,238,082	756,176	....	....	....	....	....
Printing of bonds and expense of issue	....	....	....	501,232	....	....	....	....
Total	2,416,251	33,401,038	34,041,594	25,762,048	22,905,780	14,223,361	3,788,097	1,852,805

TABLE IX.—RATIO OF ACTUAL EXPENDITURES FOR FORMOSAN DEVELOPMENT, 1896–1903

Enterprise	Transferred from general accounts		Indemnity transferred		Bond issue		Total
	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage	
	Yen		*Yen*		*Yen*		*Yen*
Construction of Hokkaido Railway	3,010,100	37.8	....	....	4,955,057	62.2	7,965,157
Construction expense above mentioned	....	....	....	....	1,176,701	100.0	1,176,701
Establishment of leaf-tobacco bureau	....	....	....	....	4,205,846	100.0	4,205,846
Capital for leaf-tobacco monopoly	....	....	....	....	5,000,000	100.0	5,000,000
Printing of bonds and expense of issue	1,343	0.2	....	....	626,955	99.8	628,298
Fortresses constructed	9,706,807	41.5	8,055,415	34.5	5,594,306	24.0	23,356,528
Repair and first supply of necessities	14,268,772	28.0	32,266,181	63.4	4,385,515	8.6	50,920,468
Manufacture of arms	11,354,536	61.9	....	....	6,986,767	38.1	18,341,303
Extraordinary expenses of army construction section	63,293	12.1	112,737	21.6	346,755	66.3	522,785
Extension of army arsenal plant	....	....	1,654,620	56.2	1,290,276	43.8	2,944,896
Naval expansion	12,439,796	6.2	132,206,828	65.1	58,316,113	28.7	202,962,737
Establishment of an iron foundry	921,460	4.6	579,762	2.9	18,413,773	92.5	19,914,995
Extension of telephone exchanges	510,664	4.0	....	....	12,276,188	96.0	12,786,852
Improvement of government railways already built	5,367,731	20.9	....	....	20,352,745	79.1	25,720,476
Railway construction	18,840,676	25.2	....	....	55,994,005	74.8	74,834,681
Total	76,485,178		174,875,543		199,921,002		451,281,723

TABLE X.—REVENUE FOR POST-BELLUM ENTERPRISES AND ANNUAL BALANCE

Fiscal year	War expense indemnity	Compensation for return of Liaotung Peninsula	Interest on indemnity manipulated, increase and decrease	Total revenue	Amount expended	Balance
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1895...	74,143,054	44,907,499	93,624	119,144,177	78,957,165	40,187,012
1896...	83,719,110	....	911,652	84,630,762	11,789,389	113,028,385
1897...	34,869,189	....	7,071,097	41,940,286	40,360,796	114,607,875
1898...	118,341,511	....	1,341,450	119,682,961	66,187,071	168,103,765
1899...	....	....	311,277	311,277	82,636,905	85,778,137
1900...	....	....	661,313	661,313	31,240,140	55,199,310
1901...	....	....	1,705,783[a]	1,705,783[a]	20,883,427	32,610,100
1902...	....	....	155,337[a]	155,337[a]	13,866,937	18,587,826
1903...	....	....	147,073	147,073	9,514,215	9,220,684
1904...	....	....	57,849	57,849	3,544,375	5,734,158
1905...	....	....	154,009	154,009	1,709,797	4,178,370
Total	311,072,864	44,907,499	8,888,224	364,868,587	360,690,217	4,178,370

[a] Decrease.

TABLE XI.—EXPENDITURES FOR POST-BELLUM ENTERPRISES

Fiscal year	Redemption of Sino-Japanese War expenses, and transfer to General Accounts Fund	Army expansion	Naval expansion	Establishment of iron foundry	Extraordinary war expenditure and expenses of communication bureau	Amount transferred to the Imperial household and to various funds	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1895...	78,957,165	....	....	....	....	....	78,957,165
1896...	....	7,588,356	4,043,729	157,304	....	....	11,789,389
1897...	....	16,193,396	20,633,455	383,156	3,150,789	....	40,360,796
1898...	12,000,000[a]	8,932,554	25,151,519	39,302	63,696	20,000,000[b]	66,187,071
1899...	....	6,053,980	26,582,925	....	....	50,000,000[c]	82,636,905
1900...	....	8,121,594	23,118,546	....	....	....	31,240,140
1901...	....	5,346,896	15,536,531	....	....	....	20,883,427
1902...	....	3,083,189	10,783,748	....	....	....	13,866,937
1903...	....	1,258,552	8,255,663	....	....	....	9,514,215
1904...	....	94,431	3,449,944	....	....	....	3,544,375
1905...	....	108,761	1,601,036	....	....	....	1,709,797
Total	90,957,165	56,781,709	139,157,096	579,762	3,214,485	70,000,000	360,690,217

[a] General Accounts Fund. [b] Imperial Household. [c] Various Funds.

TABLE XII.— PERCENTAGE OF INCREASE IN EXPENDITURES FOR EDUCATION, SANITATION, INDUSTRY AND BOND ISSUE

Fiscal year	Expenditure for education			Expenditure for sanitation		Encouragement of industries			Expense of bond issues		
	Prefectures	Cities	Towns and villages	Cities	Towns and villages	Prefectures	Cities	Towns and villages	Prefectures	Cities	Towns and villages
1893...	100	100	100	100	100	100	100	100	..	100	100
1894...	121	113	104	114	163	142	623	125	..	114	137
1895...	102	115	116	229	417	152	264	113	100	143	205
1896...	156	146	135	197	396	220	607	287	104	227	252
1897...	204	203	161	259	421	238	659	636	129	565	361
1898...	179	227	185	289	722	313	801	384	199	337	495
1899...	214	298	219	425	1,084	374	1,153	443	220	401	560
1900...	204	363	274	703	1,017	572	1,466	541	376	519	772
1901...	207	420	330	893	922	705	1,706	751	438	689	1,051
1902...	216	443	349	1,090	865	960	2,345	682	503	895	1,294
1903..	249	486	350	895	647	913	2,670	604	519	905	1,369

CHAPTER III

EFFECTS ON THE MONEY MARKET

At the time of the Sino-Japanese War, our economic world bore the burden of war expenses amounting to about 236 million *yen* and met the issue of 100 million *yen* of war bonds. Such an enormous bond issue—and during war time too—had never been heard of before in Japanese history. So the government was careful not to burden the people too heavily, and by employing the Bank of Japan devised a suitable and effective financial policy whereby financial circles were enabled to pass quite tranquilly through the war.

When diplomatic negotiations between Japan and China assumed a serious aspect, in June, 1894, financiers and economists entertained grave anxiety. To understand the situation we must realize that the financial policy of the government at that time was to prevent stagnation in the circulation of capital by restricting the construction of railways. So the Bank of Japan raised the loan interest rate on June 18, 1894, from 1.9 *sen* per diem (6.935 per cent per annum), which had been the rate in force from February 8, 1894, to 2 *sen* per diem (7.3 per cent per annum). The economic world was struck with terror; for, be it remembered, war with a foreign country was something of which the people of Japan had only read in books on history and of which they had not had the least direct personal experience. They were profoundly disturbed by the idea of crossing arms with China—a great nation hoary with age—and feared they knew not what great economic convulsion. The banks throughout the country called in their capital, restricted their loans, and were anxious only to protect themselves; the industrial world, expecting a decrease in the demand for goods during the war, restricted production; the people turned their attention altogether to economy, and commerce shrank; then, again, the Chinese residing in Japan, fearing that as a result of the opening of

hostilities paper currency might greatly fall in price, would not accept anything but silver in payment, and demanded a premium of 1½ per cent on paper currency —so great was the apprehension felt by economic circles!

But when the war began and arms were actually crossed between Japan and China, the Imperial Japanese Army at once won a great victory and there was strong confidence in the minds of the people that the final outcome would be favorable to Japan. This restored confidence in the money market, which then became very firm. When the war bonds were issued, the people were moved by patriotism and the result of the popular subscriptions to the bonds was very good. The interest rate was very low, only 5 per cent, and this had a great effect in quieting the market, because at that time financiers had an idea that if the interest rate on the bonds was very high, general interest rates would become high also.

As had been explained before, the whole financial world was seriously shaken up at the commencement of this international war and at the same time the people in general were deeply influenced toward economy, so that with the exception of the articles of daily necessity and war materials, the demand for merchandise decreased considerably. Then again, owing to the dislocation of land and water transportation facilities on account of the pressing need of transporting troops and war materials, the accumulation and disposition of commercial articles was hindered and consequently the operation of capital was affected seriously. The prices of daily necessities and also of war materials rose at the places of consumption. So commerce experienced great depression and the demand for industrial capital decreased greatly. However, foreign vessels were chartered, and by this means the defect in water transportation facilities was remedied and the circulation of money greatly facilitated. These steps helped somewhat in restoring commercial prosperity.

Furthermore, as regards foreign trade, it was at first expected that trade with China and Korea would be most seriously affected. But the government devised various

means of relief for the China trade, and furnished the needed financial facilities, so that the dislocation of trade proved to be only temporary. After our country had secured control of the sea, especially, the China trade did not suffer seriously. As for trade with Korea, no bad effects from the war were felt there, either, after navigation was made safe. The American route was from the beginning perfectly safe and European trade suffered no ill effects at all. Both routes being free from disturbance, a tendency toward constantly increasing development was shown.

While there was thus no particular disturbance to commerce either at home or abroad, the currency, affected by the war expenditures, was gradually inflated, as is shown in Table I at the end of this chapter.[1]

Thus on the restoration of peace (April 30, 1895), compared with conditions at the beginning of the war (June 30, 1894) there was an increase of about 44 million *yen* and on December 31, 1895, of about 85 million *yen*. This inflation of the currency was caused by an increase in the issue of coins and paper currency and by the payments made from the Treasury. These were results of the war expenditure, for this expenditure of about 200 million *yen* was made with various kinds of specie, while the government, as one of its financial measures during war time, spent the money at home as much as possible, so that naturally coin and paper currency increased considerably. The following table will show the facts as to the increase of convertible notes out of paper money.

Date	Bank-note issue	Specie reserve	Reserve securities	Extra limit issue	Reserve power of issue
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
January 31, 1894	147,372,199	84,515,404	62,856,795	....	299,973
June 30, 1894	141,736,358	79,632,988	62,103,370	....	1,302,091
December 31, 1894	149,813,700	81,718,291	68,095,409	4,197,549	....
January 31, 1895	142,756,092	80,924,075	61,832,017	....	2,547,265
April 30, 1895	132,839,984	68,532,320	64,307,664	....	7,618
December 31, 1895	180,336,815	60,370,797	119,966,018	55,083,148	....
Comparison with June 30, 1894:					
December 31, 1894	8,077,342[a]	2,085,303[a]	5,992,039[a]	5,499,640[a]	....
December 31, 1895	38,600,457[a]	19,262,191[b]	57,862,648[a]	56,385,239[a]	....

[a] Increase. [b] Decrease.

[1] *Post*, p. 196.

Judging from the foregoing table, we find the specie reserve was not greatly affected during the war. Even in the securities reserve there was a certain amount of reserve strength of issue left, so that the financial condition for war time was excellent. After the war the specie reserve rather decreased, and the extra-limit issue was effected; for the effect produced on the securities reserve issue during this period was due to the increase or decrease of the specie reserve as the case might be. The decrease of an enormous amount of specie reserve after the restoration of peace was altogether due to (1) the payments in silver made for war expenses, (2) the paying out of convertible notes, as these were especially demanded by the Chinese merchants, and (3) the unfavorable balance of foreign trade. Aside from these facts, the general condition, as to deposits and loans, of the Bank of Japan and the private banks, as well as the interest rate, remained normal, as we shall explain later; so that except for the precautionary attitude which was taken during war time there was nothing particularly noteworthy in the situation.

Thus we see that during the war finances were in an unusually normal condition. To be sure, an enormous amount of money was spent for the war without any return and 200,000 men were called out of productive industries to the front, thereby restricting the productive power of the nation and causing a change in the industrial order, so that it was impossible to prevent economic changes later, the seeds of which were indeed germinating during the war. Nevertheless it is a fact that conditions similar to those of peace were maintained during war time. The following may be given as the principal reasons why this was possible:

(1) The war itself was a stimulus to the minds of the people, and a potent cause in producing thoughtful, conservative action. We have noted at first how excessive precautions were taken, how the money market at once became tight, demand for capital decreased, owing to fears as to the financial future, and idle capital increased, because owing to the precautions of business men lucrative ways of disposing of it

could not be found. All these things helped to prevent the expected panic in the money market. In other words, money circulation shrank not from real necessity but for psychological reasons.

(2) The financial policy of the government was duly carried out, since (a) stagnation of capital for railway enterprises was prevented, (b) interest on bonds was lowered, (c) special attention was paid to the collection and circulation of the funds secured from bonds, (d) suitable steps were taken for facilitating commercial transactions.

(3) The activity of the Bank of Japan was altogether beyond that necessitated by the consideration of immediate profits for herself, having for its object the securing of the welfare of the nation. Loans were restricted or bonds redeemed and at the same time the fund secured by bond issues was furnished to the people for their use, and the government was supplied with capital as loans to meet the urgent need of war. On the other hand, the convertible notes were controlled and the interest rate was preserved from fluctuation.

(4) Besides the Bank of Japan, the influential banks of Tokyo, Osaka and other cities, in order to facilitate the circulation of money in war time, cooperated with the Central Bank in facilitating the issue of bonds, or subscribed for the bonds themselves and restricted their loans, in order to prevent the equilibrium of financial circles from being disturbed.

(5) The nation expected that, as a result of repeated success at the front, the final victory would be with Japan. The minds of business men were set at ease and there was no further anxiety entertained as to money circulation for the future.

These various reasons combined to quiet the money market in time of war. But this was only a temporary phenomenon. As has been said, the extraordinary financial conditions after the war were being germinated during the war. These conditions led to frequent fluctuations after the war which were only relieved just before the Russo-Japanese conflict.

When the Sino-Japanese War, the only international war

Japan had waged since the Restoration, ended in a glorious victory for Japan, and an enormous indemnity was obtained and the Liaotung Peninsula and Formosa were ceded to us, the Japanese nation first became conscious of her real strength, and various important national movements then had their inception. In the world of thought, the idea of "Japanism," as it was called, was cherished; in the economic world the former pessimism gave place to optimism; while an increase in extravagance together with the gendering of a spirit of enterprise were the results of these national movements.

But before this stimulation produced any substantial results, the interference of the European Powers in the peace negotiations with China came suddenly, dealing a severe blow to the nation. The optimism which had just been expanding was altogether subdued. We shall not take the time or trouble to describe this interference, as it is already a fact well known to the world. Just how it enraged our nation may be realized by recalling the fact that the *Nihon*, a daily newspaper edited by Dr. Yūjiro Miyake, a noted critic, reported the news of the return of the Liaotung Peninsula to the people by issuing an extra headed with these words "Urgent Imperial Message has been issued." . . . "Who that has red blood in his veins will not read it with tears?" And the forty million people affected did indeed look at this unjust interference with bloody tears. The *Taiyo*, a political review, under the title of "Patient, Watchful Waiting," said: "We must repay the good will of the Three Powers, as we are not a nation who would forget the favors of others." Thus the so-called "Patient, Watchful Waiting" and the "Ten-Years' Plan," became the watchwords of the time and gave the people the opportunity to reflect. These watchwords were in keeping with the national movement which was started by the war and led to the realization of the plan of a big army and navy and of replenishing the nation's wealth; thus a heavy burden was laid upon the people owing to the expanded financial program of the government.

However, the depression in economic circles caused by the

retrocession of the Liaotung Peninsula did not last long. The national self-realization, which resulted from the victory, materialized in the world of thought as "Japanism," while in the economic world a national movement was also inaugurated. So, although the spirit of the nation was sadly depressed at first because of the return of the Liaotung Peninsula, in an incredibly short time confidence was restored, as the people were buoyed up by the expectation of a large indemnity to be received from China, and the spirit of enterprise was born again. At this opportune time the Bank of Japan instituted the policy of encouraging enterprises by loosening its purse, so that the spirit of enterprise became widespread, its heartening influence being in inverse ratio to the depression caused by the return of the Liaotung Peninsula. Consequently, the tendency to frugality which was favored during the war was very generally superseded by extravagance, prices rose,—though this was not the only cause,—foreign trade showed an excess of imports over exports, and the business world experienced a complete change. Although, as we have stated before, the "Ten-Years' Plan" was a serious proposition, considering the national strength at the time, yet it was easily executed on account of the rising spirit of the nation; and this enterprising spirit rose as the result of the aforementioned national movement in the economic world. But as during the war industrial capital had been absorbed in war expenditure, and after the war, in the various enterprises undertaken by government and people, capital became suddenly static. Then, besides, the greater part of the indemnity received from China was spent for unproductive purposes, which, so far from helping capitalists, caused the evils which naturally accompany the inflation of currency. Moreover, the securities reserve note issue of the Bank of Japan was increased more and more. The result was the encouragement of a spirit of extravagance, and a rise in prices, which placed various difficulties in the way of materializing the enterprising spirit of the time, and even made political trouble. The ministry was changed several times. Conse-

quently the national movement for progressive enterprises which arose after the war was checked, and the high spirits of the nation were depressed, and finally the financial distress experienced after the war led to a slight panic in 1899. This was not perfectly relieved, and another panic occurred in 1901. The national movement also, which had promised great things at the close of the war, was kept from expanding, and in this condition the nation had to meet the Russo-Japanese War.

The financial ups and downs during the Sino-Japanese War and ten years thereafter have been briefly explained. We shall now proceed to set forth financial conditions during that time by taking up the most important points in connection therewith.

Reform of the Currency System

Japan established the gold standard monetary system by Law No. 16, promulgated on March 26, 1897.

The monetary system of our country prior to this time had been based upon the bimetallic system established by the Tokugawa Shogunate in the sixth year of Keicho, 1601, and maintained for 260 years or until the period of the Restoration of Meiji. But whenever financial distress occurred the metallic money was reminted, and except during the reform of the Kyoho period, the weight of the coins was reduced and the quality debased, so that the currency system in this way destroyed itself. In feudal times some among the Daimios coined moneys with their own imprints thereon and issued notes to circulate only in their own territory, and there were 1,600 or more different kinds of notes in circulation. In short, in the last days of the Tokugawa Shogunate our monetary system was at the extreme height of disorder and complexity.

The government attempted to readjust matters in the early part of the Meiji era. In May, 1871, a new currency law was promulgated, thereby laying the basis for the gold-standard system. According to this law, the *yen*, containing 1.5 grams of pure gold about 900 and $1\frac{2}{3}$ grams of alloy was

made the unit of currency. There was besides this system, another with a trade silver *yen*, the same in quality and weight as the Mexican silver dollar current in the Orient as the unit of trade currency. Now the trade silver *yen* was circulated only within open ports. But at that time, inconvertible notes were issued in our country, so that specie flowed out in a great stream, and it was felt that to maintain a gold standard system among silver countries in the Orient was a very difficult task. So in May, 1878, Laws Nos. 12 and 13 were issued, whereby the trade silver *yen* was ordered for general circulation at home, in paying taxes, and for public and private transactions. From that time, Japan became a bimetallic country.

The government, owing to the civil war and other momentous events in the early part of Meiji, found it difficult to meet all its needs by means of Treasury revenue alone. So it was obliged to issue the following varieties of notes in order to secure temporary relief:

Date of Issue	Total Amount of Issue	Kinds
(1) Dajokwan Notes (Cabinet) May 15, 1868–Dec. 31, 1869..	48,000,000 *ryo*	10 *ryo*, 5 *ryo*, 1 *ryo*, 1 *bu*, 1 *shu*.
(2) Mimbusho Notes (Notes issued by Dept. of People) Sept. 17, 1869–Oct. 31, 1870.....	7,500,000 *ryo* (At first it was intended to redeem the Dajokwan notes of small denominations with these notes.)	2 *bu*, 1 *bu*, 2 *shu*, 1 *shu*.
(3) Convertible Notes by Finance Department, Oct. 12, 1871–Feb. 28, 1872.....	6,800,000	10 *yen*, 5 *yen*, 1 *yen*.
(4) Convertible Notes by Colonial Department, Jan. 14, 1872–Mar. 31, 1872.....	2,500,000	10 *yen*, 5 *yen*, 1 *yen*, 50 *sen*, 20 *sen*, 10 *sen*.

But when the daimiate system was abolished and the prefectural system was established in 1871, the notes issued by different daimiates had to be taken over by the central government; thus it was necessary to increase the notes of the

central government to aid in this adjustment, and finally new government notes were issued. The inconvertible notes suddenly increased to an enormous amount. According to the proclamation of December 27, 1871, concerning the issue of new notes, these notes were to be circulated in exchange for the notes of different daimiates. As a result, the former became inconvertible notes. Then, when the Civil War of 1877 broke out in the southwest, the government was obliged to issue notes to the amount of 27 million *yen* temporarily in order to meet the war expenses. As the notes in circulation exceeded the need of the economic world, there was a sudden rise in the prices of commodities. Furthermore, by Decree No. 104, issued in August, 1876, the law governing national banks (Law No. 349, November 15, 1872) was revised. The regulations allowing the national banks to issue bank notes with 6 per cent bonds redeemable in gold notes as security[1] were revised, so that bonds bearing 4 per cent interest were allowed to be used as security. The maximum total issue of bank notes was fixed at 34 million *yen*. After that, these bank notes were issued in large amounts. But as they were convertible with the currency then in circulation, namely, government paper money, the prices of the notes fell considerably, the prices of commodities rose, the specie flowed out, the imports exceeded the exports, and farmers became extravagant in their expenditures. The evil effects were very serious and one who reviews the history of that period can not but be horrified thereby.

In consequence the government made strenuous efforts to revise the currency system, on the one hand redeeming the notes, and, after the establishment of the Bank of Japan in June, 1882, ordering that bank to issue convertible silver bank notes from May, 1885; and on the other hand, endeavoring to accumulate specie reserve, thereby gradually restoring the credit of the government notes. The market value of the notes increased accordingly, and at the end of 1885 the

[1] These were authorized for the purpose of replacing the government notes then in circulation.

difference between silver and the notes nearly vanished. So from January 1, 1886 (according to Decree No. 14, issued June 6, 1885) government notes could be converted into silver at par. In addition, the plan of redeeming the national bank notes was also established by Decree No. 14, issued in 1883, and thus our country became a true silver standard country. Previous to this, from about 1871, the production of silver all over the world increased and the price of silver showed signs of declining. When Germany, in 1873, established the gold-standard system by utilizing the indemnity received as a result of the Franco-Prussian War and began to dispose of the silver in her possession, the price of silver fell still more. Then when the United States of America, the Latin-Alliance nations, and other countries adopted the gold-standard system, and restricted or stopped the minting of silver coins, thus initiating the policy of excluding silver and gathering in gold, the price of silver fell considerably lower. In 1876, the ratio between gold and silver, in price, was on an average 1 to 17.88. Whereupon the silver-producing countries and those which possessed silver began to discuss methods of maintaining the price of this metal. The United States of America was especially noteworthy, as in 1878 she passed the Brand Law, whereby silver was purchased and minted, and in 1890 the Sherman Law, which extended the scope of the former statute. But both failed to prevent the steady fall in the price of silver. Consequently, Austria-Hungary, in 1892, changed her monetary system, adopting the gold standard, and in 1893 the United States of America revoked the Sherman Law. India also abolished the free coinage of silver. Other countries likewise ceased using silver for coins. As a result, in 1894 the ratio between gold and silver became on an average 1 to 32.56.

After this explanation, it is not necessary to show in detail how Japan, which was virtually a silver-standard country, was affected. On the one hand, following the fall in the price of silver, the exports of our country increased and the prices of commodities rose, so that agricultural, industrial and

commercial circles were benefited and became quite prosperous; but on the other hand, the foreign exchange rate was constantly fluctuating so that those engaged in foreign trade were in danger of monetary losses and could not transact business with the certainty as to profits or losses previously assured, but had to wait idly until the fluctuations in the exchange rate became a little less serious or were obliged to venture forth depending only upon luck. Consequently, transactions became speculative and business dealings with gold-standard countries assumed a state of impasse, which in turn produced an unfavorable result upon the money market. Below we indicate the tendencies of the exchange rates in London, Paris and Berlin:

RATES OF EXCHANGE IN LONDON, PARIS AND BERLIN

Year	London		Paris		Berlin	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
	s. d.	*s. d.*	*f.*	*f.*	*m.*	*m.*
1886....	3.04.04	3.00.13	4.21	3.79	3.35	3.03
1887....	3.03.80	3.01.32	4.19	3.93	3.34	3.13
1888....	3.01.58	3.00.05	3.95	3.79	3.16	3.01
1889....	3.02.52	3.00.36	4.03	3.84	3.22	3.06
1890....	3.09.08	3.01.10	4.73	3.92	3.78	3.12
1891....	3.05.19	3.01.32	4.33	3.93	3.46	3.15
1892....	3.00.51	2.08.64	3.84	3.43	3.08	2.75
1893....	2.08.73	2.03.87	3.44	2.92	2.77	2.36
1894....	2.03.50	1.11.50	2.87	2.45	2.31	1.98
1895....	2.02.88	1.11.13	2.83	2.43	2.27	1.96

For these reasons, the Japanese Government planned to change the silver-standard system into the gold standard, and in accordance with Imperial Ordinance No. 113, issued on October 14, 1893, appointed a committee to investigate the currency system and to learn the cause of the fluctuation in the prices of gold and silver; also whether there was need of reforming the currency system of our country, because of the economic effects which the fluctuation in the prices of gold and silver produced in Japan, and if there was such need, what system should be adopted. The committee by a majority vote decided to adopt the gold-standard system.

But the reform could not be accomplished by means of a set of laws. A large amount of gold reserve was needed. From 1871 until the gold standard was established, the total amount of silver issued was on its face value 165,133,710 *yen*. It was not an easy matter to accumulate a gold reserve sufficient to convert this amount of silver into gold, and it was necessary to wait for a favorable opportunity. However, an agreement was finally reached whereby the war indemnity of the Sino-Japanese War, which was to have been received in Kuping *taels*, was received in British gold in London. With this amount the gold-standard system was established.

In discussing the proposition of establishing the gold-standard system, some suggested that it would be advantageous to plan the development of trade with gold-standard countries in view of the fall in the price of silver, or objected that if Japan alone should adopt the gold-standard system while various other countries in the Orient were silver-standard countries, she would encounter serious obstacles in carrying on trade with those countries; it was also said that, as the production of gold in our country is too small for our needs, it would be difficult to maintain the gold-standard system permanently, and that when the large amount of silver exported abroad should be reimported into Japan, the nation would meet with great losses. In spite of all these objections, the government decided to adopt the gold-standard system.

While the foregoing were the alleged reasons for making this change, there was still another reason, namely, the money market conditions of that time; for it is plain now that if silver fell, the investment of capital by gold-standard countries in Japan, which was still a silver country, would decrease, and the capital already invested would be recalled. This was not clearly seen at the time, since our finances had received bad effects from the post-bellum undertakings and showed signs of abnormality, resulting in the contraction of the money circulation and the falling of prices of shares in the stock market. Thus the opinion came to prevail in financial circles that if the

gold-standard system were adopted at that time the obstacles between Japan and the gold-standard countries would be removed and the cheap capital of countries more advanced commercially would at once be invested here; for this reason there were not a few who favored the gold-standard system. Accordingly the bill for currency reform was passed by both houses immediately, and by Law No. 16, issued March 26, 1897, the new system was put into operation. Thus from October 1 of the same year, Japan became a gold-standard country.

That the financial world thus desired to see the gold-standard system established because of the conditions which existed at that time may be gathered from the fact that when the news was circulated in the stock market, securities rose in price. A few examples are cited below:

EFFECT OF CURRENCY REFORM BILL ON STOCK EXCHANGE

	N. Y. K.	Tanko Railway	Sanyo Railway	Kanegafuchi Spinning	Tokyo Stock Exchange
Rumor of Bill being introduced:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Previous day.....	78.10	87.70	53.90	60.00	369.50
On the day.....	79.50	89.80	55.10	61.00	376.00
Rise.....	1.40	1.10	1.20	1.00	6.50
Introduction in House of Commons:					
Feb. 26.....	79.50	98.80	55.10	61.40	376.00
March 1.....	81.30	99.80	56.40	62.00	386.00
Rise.....	1.80	1.00	1.30	0.60	10.00
Approved by Special Committee of the House:					
Previous day.....	75.70	95.80	55.00	61.60	369.50
March 6.....	77.30	97.30	55.20	62.10	379.00
Rise.....	1.60	1.50	0.20	0.50	9.50
Passed by the House:					
Previous day.....	76.90	97.50	55.00	....	....
March 12.....	76.60	98.10	55.60	61.10	386.00
Fluctuation.....	0.30	0.60	0.60	....	....
Passed by Peers:					
Previous day.....	76.90	99.30	55.30	62.10	385.00
March 23.....	76.60	101.10	55.70	62.10	402.00
Fluctuation.....	0.30	1.80	0.40	....	17.00

Expansion of Issue Capacity of Convertible Notes

The revised law governing the issue of convertible bank notes issued in March, 1899, raised the amount of the securities reserve issue from 85 million *yen* to 120 million *yen*. This was due to the fact that the government believed the increasing stringency of the money market indicated a shortage of capital or currency (bank notes), and previous to that period the bank notes were almost always issued in excess of the settled limitation. What, then, was the condition of the extra-limit issue of notes? Before we discuss this matter, we must describe the securities reserve issue of notes by the Bank of Japan, especially the history of the extra-limit issue.

The Bank of Japan was established as a central bank on October 10, 1882, at the time when inconvertible notes (both government and bank notes) fell in price, in order to meet the emergency, in accordance with Decree No. 32, issued on June 27, 1882, setting forth the purpose of the bank. Beginning from September 8, 1886, the bank's notes were issued, in accordance with Decree No. 18 of May 26, 1885, regulating the issue of convertible bank notes.

At first the bank was required to keep only a reasonable amount of reserve specie to redeem the bank notes issued.[1] The Minister of Finance occasionally suggested the amount of notes to be issued, and the reserve for the exchange was at first limited to specie. But later the government notes and bank notes were constantly being adjusted, so that at the end of June, 1889, the amount of government notes on hand was 49,337,248 *yen*, and of bank notes 28,059,486 *yen*. Comparing these figures with the highest amounts of the various notes in circulation, we see what an extraordinary amount of redemption had been effected.

As there were 49,177,864 *yen* worth of notes on hand on the last day of June, 1888, there was after all a decrease of 43,582,880 *yen*. Consequently, the currency decreased considerably in amount. So the government firmly established

[1] Article 2 of the same decree.

REDEMPTION OF BANK NOTES

Notes	Date	Highest amounts of various notes in circulation	Amount June 30, 1888	Decrease, June 30, 1888 compared
		Yen	*Yen*	*Yen*
Government notes. .	Feb. 28, 1878	141,274,862	49,337,248	91,937,615
National bank notes.	Feb. 28, 1879	28,347,876	28,059,486	288,390
Total amount of various notes	Jan. 31, 1880	170,157,477	77,396,733	92,760,744

the system of conversion and in addition decided that the time to do away altogether with the former currency system had now come. So the laws governing the issue for the conversion of the convertible bank notes were revised. While in principle issuing bank notes with gold and silver specie or gold and silver bullion as a reserve (that is, an issue based upon the specie reserve), the Bank of Japan was allowed at the same time to issue bank notes to the maximum limit of 70 million *yen* with government or other reliable securities or commercial documents as a guarantee.[1] In case of need the bank was permitted to increase the bank notes according to the market conditions, and to issue notes with the foregoing securities as a guarantee by paying to the government a tax on the issue at a rate of over 5 per cent per annum on the amount of the issue, after the permit of the Minister of Finance had been obtained.[2] This was based upon a lesson learnt from the principle of indirect restriction (Konzinsentierung) or the elasticity method of note issue followed by the Imperial Bank of Germany, and the Bank of Japan performed thereafter an important service as a steadier of the money market and the supplier of capital. Then, on March 3, 1890, for the first time there was 300,000 *yen* worth of the extra-limit issue. The highest amount was 500,000 *yen*, between March 10 and April 1. This was due to the fact that at that time, owing to the rise in the price of rice, the

[1] Of this amount, 27 million *yen* was issued gradually, with the amount of the redemption of the national bank notes since January 1, 1889, as the limit.

[2] This was the securities reserve issue.

adverse balance of foreign trade, the reactionary influence on the rise of the enterprising spirit, and other causes, the money market showed the prevalence of abnormal conditions. But the government construed this fact as indicating that as a result of the spirit of enterprise which had sprung up since 1887, various enterprises would develop rapidly, foreign trade would also be extended and the demand for the bank notes in circulation in the economic world of Japan would increase. So at length by Law No. 34, issued May 16, 1890, the amount of the securities reserve issue was increased from 70 million *yen* to 85 million *yen*. This was the opening wedge in the extension of the securities reserve issue, which we are to discuss here. The government, influenced by the experience of some nine years thereafter, ultimately increased the amount to 120 million *yen*. Let us describe the actual occurrences of these years.

A reaction following the relaxing of the money market since 1891 was shown in the latter half of 1893. Foreign trade showed an adverse balance. Furthermore, on the breaking out of the Sino-Japanese War, the second extra-limit issue took place. From December 29, 1894 (3,272,721 *yen*), to January 12, 1895, the highest amount was 4,197,549 *yen* at the end of December, 1894, and the average amount was 2,211,054 *yen*.

In April, 1895, a peace treaty with China was formulated. But owing to the return of the Liaotung Peninsula the people of Japan were downcast and the economic world greatly depressed. But as a result of the third extra-limit issue, on May 28, for the purpose of obtaining a loan for the government, and also because the Bank of Japan had instituted the policy of reviving finances by lowering the interest rate on loans, this extra-limit issue was continued from the end of May, 1905 (1,993,433 *yen*), to May 19, 1906; at the end of 1905 the amount reached 55,083,147 *yen*, the average amount throughout this period being 29,100,731 *yen*. This was an enormous amount, indeed. As the extra-limit issue of that time was due to the loans by the government, when the regu-

lations as to the disposal of deposits of the indemnity were established in May, 1896, this extra-limit issue was discontinued. Then, in the latter half of 1897, the reaction from the postbellum spirit of enterprise, the rise in the prices of commodities, and the adverse balance of foreign trade became both causes and effects in themselves, so that from July 24, 1893 (455,306 *yen*) until September 14, 1898, extra-limit issues were sent out four times, with a maximum amount of 47,312,657 *yen* at the end of 1897, and an average of 25,044,485 *yen*. The reason for the withdrawal of the extra-limit issue was that the government had purchased the war and consolidating bonds from April, 1898, and the money market had relaxed, and also that the government, in order to pay for the purchase of the bonds with the money borrowed on the indemnity deposits, had returned the convertible notes of the extra-limit issue which had been borrowed from the Bank of Japan. In short, the extra-limit issue of the securities reserve was transformed apparently into the specie reserve convertible notes.

But from October 26, 1898, especially from December 16, until February 21, 1899, an extra-limit issue of notes was again sent forth several times in succession, with a maximum amount of 24,016,568 *yen* at the end of December, 1898, and an average of 3,287,195 *yen* on the first occasion (from October 26 to November 7), 1,454,144 *yen* on the second occasion (from November 27 to December 1), and 8,254,165 *yen* on the last occasion (from December 16 to February 21, 1899). We shall briefly present below the average and the maximum amounts of extra-limit issues since the securities reserve issue was increased to 85 million *yen:*

Duration	Average	Maximum
	Yen	*Yen*
Dec. 29, 1894–Jan. 12, 1895	22,111,054	4,197,549
May 31, 1895–May 19, 1896	29,100,731	55,083,147
July 24, 1897–Sept. 14, 1898	25,044,485	47,312,657
Oct. 26, 1898–Nov. 7, 1898	3,287,195	8,110,818
Nov. 27, 1898–Dec. 1, 1898	1,454,144	1,667,027
Dec. 16, 1898–Feb. 21, 1899	8,254,165	24,016,568
Total average	14,875,296	

That the actual results of the extra-limit issue were as described above is proved by the fact that the government and people of Japan raised the amount of the legal guarantee reserve issue from 85 million *yen* to 120 million *yen*.

The relation between the amount of the legal guarantee reserve issue and the demand for capital by the financiers of any nation is so well known to economists that there is no use of enlarging upon it here. But if we reflect a little we shall see that the extra-limit issue only signifies that the amount of the bank note issue has exceeded the limit established by law, whereas the so-called legal limit is not the limit of the first instance, but one based upon a fluctuating specie reserve issue. Hence it is not proper to judge the demand for capital in the economic circles of a country by this fact alone. We should observe also the specie, the guarantee reserve issue, and the total amount of the issue. Then, again, the legal extension of the amount of guarantee reserve issue permitted has given the Bank of Japan considerable power to supply capital, and as she would not be likely to neglect this opportunity to benefit herself, and as the economic world would eagerly appropriate this supply of cheap money, the currency in circulation would greatly increase and its effect upon general economic conditions in the country would not be slight. Accordingly, the discussion of the propriety of extending the issue would be a link in the discussion of post-bellum economy.

Table II at the end of this chapter[1] shows the amount of bank note issues since 1894, when the extra-limit issue first appeared, and Table III[2] shows the increase and decrease compared with 1893.

As shown in the foregoing tables, the bank note issues rapidly increased during this time. But there is one thing to be noted, namely, that during the foregoing period the convertible notes of the Bank of Japan were not the only paper currency issued. So we must consider the entire volume of paper currency in circulation during this period.

[1] *Post*, p. 197. [2] *Post*, p. 198.

PAPER MONEY IN CIRCULATION, 1893–1899

At end of year	Government notes	National bank notes	Convertible notes of Bank of Japan	Total	
				Amount	Comparison with 1893
	Yen	*Yen*	*Yen*	*Yen*	
1893	16,407,000	22,756,119	148,663,128	187,826,247	100.0
1894	13,404,547	21,781,797	149,813,700	185,000,044	98.5
1895	11,129,224	20,796,786	180,336,815	212,262,825	113.0
1896	9,376,172	16,497,889	198,313,896	224,187,957	119.4
1897	7,451,098	5,024,729	226,319,058	238,794,885	127.1
1898	5,411,726	1,866,563	197,399,901	204,678,190	109.0
1899 (Feb.)	5,293,724	1,684,065	181,218,176	188,195,965	100.2
1899 (Dec.)	4,125,783	....	250,562,040	254,687,823	135.6
Total	72,599,274	90,407,948	1,532,626,714	1,695,633,936	.....

From the foregoing tables, it will be seen that while the increase in the notes issued by the Bank of Japan was great, yet these notes, except when required by the natural demands of the economic world, were issued to replace the government notes and bank notes which were in process of gradual adjustment or extinction, and that in reality the total volume of the paper currency rose and fell in turn without showing any very great permanent increase.

Moreover, the extra-limit issue of the convertible notes of the Bank of Japan was effected in many instances when there was a decrease in specie.

The extra-limit issues of May, 1895, and July, 1897, both coincided with the decrease in the specie reserve. But in financial circles there was always need of a certain fixed amount of convertible notes. In case the amount of the issue of convertible notes fell below what was necessary, because of a decrease in the specie reserve, it may naturally be inferred that by some other method—the guarantee reserve issue, for instance—the deficiency would be met, and that the cause of the increase on the guarantee reserve issue lay, aside from the government loans, in the increase in industrial loans made to the people generally. That the loans made by the Bank of Japan increased extraordinarily is shown in Table IV at the end of this chapter.[1]

[1] *Post*, p. 199.

EXTRA-LIMIT ISSUES OF CONVERTIBLE NOTES

At end of	Specie reserve	Decrease compared with month's end, from standard	Bank note issue	Extra-limit issue
1895	*Yen*		*Yen*	*Yen*
April	68,532,320	Standard	132,839,984	....
May	66,199,000	2,333,320	132,573,715	1,993,433
(June–Nov. omitted)				
Dec.	60,370,797	8,161,523	180,336,815	55,083,148
1896				
Jan.	54,890,176	13,642,144	171,211,604	50,937,636
Feb.	54,589,146	13,943,174	164,408,373	44,434,259
March	55,347,002	13,185,318	157,141,819	36,409,048
April	55,574,499	12,957,821	154,748,631	33,786,956
May	106,308,649	37,776,329[a]	165,837,762	....
(June–Dec. omitted)				
1897				
(Jan.–May omitted)				
June	119,437,064	Standard	195,302,669	....
July	109,780,678	9,656,386	198,728,088	10,325,196
(Aug.–Nov. omitted)				
Dec.	98,261,473	21,175,591	226,229,058	47,312,657
1898				
Jan.	91,568,364	27,868,700	212,003,989	39,529,488
Feb.	83,626,224	35,810,840	195,297,483	30,626,515
Mar.	74,651,152	44,785,912	195,889,761	39,658,322
(April–July omitted)				
Aug.	88,498,228	30,938,836	186,361,320	14,681,165
Sept.	91,307,480	28,129,584	174,472,809	....
Oct.	88,468,720	30,968,344	180,122,704	8,110,818
Nov.	90,180,017	29,257,047	177,581,079	3,677,028
Dec.	89,570,239	29,866,825	197,399,901	24,016,569

[a] Increase.

The origin of the extra-limit issue and the increase in loans being as just stated, we see that the government considered the limit of the guarantee reserve issue too small; especially since, owing to the stringency of the money market at that time, commercial and industrial circles desired the legal limit of the issue to be extended and the powers of the Bank of Japan to be increased. Moved by this request, the government extended the legal limit by Law No. 55, issued March 9, 1898, and applied 15 million *yen* out of the 35 million *yen* increase to the relief of the domestic money market, thereby

opening the way for high-class exchange transactions, the discounting of checks, and an increase in branch banks. At the same time, 20 million *yen* were applied to relieve the stringency of the money market and facilitate transactions with Europe, America and the Orient. The Yokohama Specie Bank was ordered to engage in the work of facilitating the China trade especially.

But we believe it was a mistake, in view of existing conditions at that time, to extend the legal limit of the guarantee reserve issue merely because of the frequency of extra-limit issues, without first investigating what the reason was for the increase in convertible notes. We do not mean to argue at length as to the merit of the policy here. We only wish to make it clear how this procedure disturbed the money market after the war and created an unfavorable effect upon the national finances. For even if the amount of the guarantee reserve issue had been determined by law, it would not have bound economic circles; and even if the issue of notes should go beyond the legal limit, it would not menace the financial interests, so that the extension of the legal limit by 35 million *yen* as mentioned above had no practical significance at all. But the extension of the amount of issue exempted from taxation allowed the Bank of Japan has given that bank great power to furnish capital—such that if this power were employed wrongfully, bank notes would be at a premium and this would have serious effects upon finance. Then, again, our financiers and economists, drunk with the glory of victory after the Sino-Japanese War, were about to make great strides ahead when Japan was obliged to return the Liaotung Peninsula. The people suddenly became pessimistic. So the government adopted a liberal policy and ordered the Bank of Japan to lower the rate of interest.[1] This was done in order to encourage the people, so that optimism might be gradually restored and the people realize that they need no longer remain depressed. They accordingly took courage

[1] At that time the discount rate was 2 *sen* 1 *rin* per diem, that is 7.665 per cent, which was changed to 1 *sen* 9 *rin* per diem, that is 6.935 per cent.

and became enthusiastic over post-bellum enterprises; the demand for capital for army and naval expansion and for the prosecution of said enterprises increased enormously, and finally a great financial panic occurred, as is mentioned later.

Thus the sudden increase in capital after the war was due partly to the need of the government, but not a little to the deliberate policy of the government and the Central Bank. Consequently, the development of a sudden demand for capital as described heretofore can not be considered the result of a healthy development, or a natural evolution in the economic life of the people; for in economic development there are true and false tendencies. That financial circles which have shown a tendency to great activity should suddenly shrink from advancing is a phenomenon to be observed only in a period of speculation and vainglory. The conditions in the financial circles of our country after the Sino-Japanese War were indeed such. Judged from these facts, the arguments advanced in favor of extending the amount of the guarantee reserve issue based upon the phenomena resulting from this false tendency may be considered as castles in the air, with great instability of foundation. They can not escape the criticism of inconsistency.

As has been said, the extension of the amount of the guarantee reserve issue can not properly be considered necessary, judging from the point of view of a dispassionate critic. On the contrary it poured oil on the prairie fire of the false phenomena of financial circles in order to cause an increase in the issue of convertible notes and may be considered as one cause of unsteadying the money market. If we remember that the so-called extension of the issue by 35 million *yen* is 22 per cent of 158,517,000,000 *yen*, which was the average amount of the issue between 1893 and 1898, it is not difficult to see how great the effect must have been.

Before closing this section we would call attention to Table V at the end of this chapter, which shows the amount of the issue at the end of each year since 1899.

Increase of Monetary Facilities

Necessitated by the national development after the Sino-Japanese War, the increase and reform of monetary facilities were planned by the government. In the first place the business of the Bank of Japan and of the Yokohama Specie Bank was enlarged, the Hypothec Bank and the Bank of Agriculture and Commerce were established, and in addition industrial banks and the Bank of Formosa were newly established, in order to meet the needs of the time; and, secondly, a wise disposition of the national banks was made and the causes of economic troubles were removed. The ordinary monetary institutions of Japan had been largely reorganized before the Sino-Japanese War; i.e., on July 1, 1893, a commercial statute was put into force followed by banking regulations[1] and savings bank regulations,[2] and thus the banking business, which had been under imperfect control before, now entered upon a new era of development. Numerous banks were established at this time. But the Bank of Japan and the Yokohama Specie Bank, national banks authorized with the power to issue notes and a few private banks and savings banks may be especially mentioned. Consequently, facilities for supplying capital for commercial purposes seem to have been rather general throughout the country. But the banks for realties and securities had not yet been established. As for facilities for agriculture and industry, there was also a great lack here.

Consequently the government made endeavors to improve monetary facilities, and thus meet the needs of the time. For example, the Hypothec Bank of Japan, the Bank of Agriculture and Industry, and the Colonial Bank of Hokkaido were established for real property, the Industrial Bank of Japan for securities and the Bank of Formosa to meet the needs in the newly acquired territory of Formosa. As to the Bank of Japan and the Yokohama Specie Bank, the government, in order to increase their usefulness after the war,

[1] Law No. 72, August, 1890. [2] Law No. 33, August, 1890.

allowed them either to increase their capital or to increase the amount of the securities reserve issue,[1] thereby increasing the loaning power of the banks so that they might contribute toward the betterment of finances after the war.

The following record will enumerate the various advance steps made at this time:

(1) The Bank of Japan increased her capital by 10 million *yen* in August, 1895, thus raising her authorized capital from 20 million *yen* to 30 million *yen*.

(2) The Yokohama Specie Bank increased her capital by 6 million *yen* in March, 1896, thus raising her authorized capital from 6 million *yen* to 12 million *yen*.

(3) The Hypothec Bank of Japan (the bank dealing with real property) opened her doors in August, 1897.

(4) In each prefecture a bank of agriculture and industry was established between February, 1898, and August, 1900, —forty-six banks in all.

(5) The national banks (153 in number) became private banks in February, 1899, and the circulation of national bank notes was prohibited from December 9 of the same year.

(6) The Bank of Japan was permitted to increase the amount of her securities reserve issue in March, 1899, by 35 million *yen*, making the total 120 million *yen*.[2]

(7) The Yokohama Specie Bank increased her capital in September, 1899, by 120 million *yen*, making her authorized capital 24 million *yen*.

(8) The Bank of Formosa was opened September, 1903.

(9) The Colonial Bank of Hokkaido was opened April, 1900.

(10) The Industrial Bank of Japan was opened April, 1902.

For several years after the war, a period of reform ensued as regarded monetary institutions. The money market, which had already been adjusted to conditions before the war, had now to be steadied by the aid of special banks operated in all directions, so that no more complaints might be raised about the lack of financial facilities. In short, the ten years

[1] By Law No. 55, March 9, 1899, the amount was increased from 85 million *yen* to 120 million *yen* as before described.

[2] Cf. section on expansion of issue capacity of convertible notes, p. 166.

after the Sino-Japanese War might be designated as the period for perfecting financial facilities. The steady national development after the war and the solid as well as remarkable achievements of national finance may be said to have been due largely to the financial policy of the government. Of the financial policies mentioned above, we have already dealt with one in detail, viz., the extension of the securities reserve issue (in the section on expansion of issue capacity of convertible notes). We shall now take up the remaining subjects.

The Yokohama Specie Bank

The Yokohama Specie Bank, at the end of 1893, that is, the year previous to the Sino-Japanese War, had an authorized capital amounting to 6 million *yen* (with a paid-up capital of 4,500,000 *yen*). But after the war her business gradually increased. Since February, 1896, the London branch of the bank acted as agent for the Bank of Japan, by taking charge of the indemnity received from China and disposing of it. On July 1, 1895, the Shanghai agency of the bank, which had been closed owing to the Sino-Japanese War, was reopened. On September 15, 1896, an agency was opened at British Hongkong. Furthermore, in July, 1894, increased capital was required by the bank with a view to opening an agency at Bombay, India. So, on March 25, 1896, the authorized capital was increased to 12 million *yen*. In September, 1899, this amount was doubled, thus becoming 24 million *yen*. A branch was established at Tientsin (August, 1899), at Neuchang (August, 1900), and at Peking (January, 1902), thus extending the sphere of activity in China. A further advance was made in September, 1901, when the by-laws of the bank were revised so that, in case business transactions abroad required it, the various branches and agents would have power to issue notes payable on sight. In November, 1902, for the first time, such drafts were issued by the Tientsin branch of the bank; in December, by the Shanghai branch; in January, 1903, by the Neuchang branch; and in March by the

Peking branch. The conditions of loans from 1893 showed a sudden development about 1899, as will be seen from Table VI at the end of this chapter.

Realty banks

Three kinds of banks were established to deal in real property, as given below:

Name	Law governing	No.	Authorized capital	Paid-up capital at time of establishment	Opening
Hypothec Bank of Japan....	No. 82, April 20, 1896...	1	*Yen* 10,000,000	*Yen* 2,500,000	Aug. 2, 1897
Bank of Agriculture and Industry ...	Nos. 83 and 84, April 20, 1896	46	28,370,000[a]	22,923,485[b]	First on Feb. 1, 1898, and last on Aug. 17, 1900
Colonial Bank of Hokkaido.	No. 76, March, 1899	1	3,000,000	1,050,000	April 1, 1900

[a] Average per bank, 616,739 *yen*. [b] Average per bank 498,337 *yen*.

The province of these three kinds of banks was lending money for long terms on real property and at a low rate of interest (in case of the Colonial Bank of Hokkaido, agricultural products or shares or bonds might be used as security in place of real property). The object was to improve and develop agriculture and industry. The Hypothec Bank of Japan was established in Tokyo as the central bank for real property, and also one in each of the several prefectures.[1] These banks were to cooperate with the Hypothec Bank in order to supply capital for agriculture and industry. As to the province of the Colonial Bank of Hokkaido, it was not fundamentally different from that of the Banks of Agriculture and Industry, but whereas (1) the shareholders of the Banks of Agriculture and Industry were confined to those who had their residence registered and were actually residing in the prefectures in which the banks were situated, and (2) the amount of subsidy from the government was limited to 5 per cent of the paid-up capital per annum, in the Hokkaido Bank

[1] *Fu* and *ken* "prefectures" are terms designating administrative districts and first-class local organizations, and their number is 46, that is, 3 *fu* and 43 *ken*. The differences between *fu* and *ken* are historical rather than substantial.

these regulations were not and could not be enforced. So, in order to permit special regulations for this bank a separate law was enacted. The amounts expended by the government as subsidies in the establishment of the banks for real property, as mentioned above, are as follows:

GOVERNMENT SUBSIDIES TO BANKS

Year	Subsidy to Hypothec Bank of Japan	Subsidy to Banks of Agriculture and Industry	Subsidy to Colonial Bank of Hokkaido	Total
	Yen	*Yen*	*Yen*	*Yen*
1897.....	55,052	1,138,320[a]	....	1,193,372
1898.....	30,010	6,216,680[a]	....	6,246,690
1899.....	30,873	688,620[a]	250,000	969,493
1900.....	....	155,000[a]	250,000	405,000
1901.....	....	5,000	200,000	205,000
1902.....	....	5,000	200,000	205,000
1903.....	....	5,000	....	5,000
Total....	115,935	8,213,620	900,000	9,229,555

[a] 5,000 *yen* each year (total 20,000 *yen*) were subsidies to the Bank of Agriculture and Industry in Okinawa Prefecture (Loochoo).

Not only were the foregoing amounts actually expended as subsidies, but in the case of the Banks of Agriculture and Industry and the Colonial Bank of Hokkaido, immunity was given from paying dividends to the government for the shares in its possession for a certain number of years. These arrangements helped greatly to realize the object of the subsidies.

The establishment of banks dealing with real property has been advocated from about 1882. But in order to perfect this plan capital for long terms and at low rates of interest was needed. At that time, however, the general interest rate was very high. Some of the national bonds bore more than 7 per cent interest, so that it was not possible to secure low-priced capital. Consequently, it was a matter of the utmost difficulty to secure by means of bond issues amounts several times larger than the capital of the banks. Moreover, the value of land as security was very low, and the circulation of money was not yet free; further, in order to realize profits from agriculture, a longer term is needed for

loans than is usually allowed by commercial banks. This was the reason why, although financial institutions for facilitating commercial transactions had been developed, banks for real property had not yet been established; thus the capital needed for agriculture and industry was lacking, and consequently their full development could not readily be effected.

But the tendency in the money market was toward a gradual fall in the interest rate. In addition, the price of bonds rose. With the promulgation of the law concerning consolidated bonds in 1886, bonds bearing high interest disappeared and the price of bonds showed signs of a steady rise. Thus a favorable opportunity for establishing banks for real property had come. When the Bank of Japan lowered the rate of interest after the Sino-Japanese War, the prices of securities rose. On account of anxiety as to the inflow of the indemnity the interest rate was lowered, bonds and shares rose in price, and the proposal to issue bonds to secure capital to be loaned by the banks for real property was received with great favor. At last the laws governing the Hypothec Bank of Japan and the Banks of Agriculture and Industry were promulgated. We shall now briefly explain the method of organization.

(A) The Hypothec Bank of Japan and the Banks of Agriculture and Industry were closely related to each other. Both aimed at loaning capital for the improvement and development of agriculture and industry, with real property as security. The difference between the two was only that of size and position; that is, the Hypothec Bank was the central bank, while local Banks of Agriculture and Industry were established in the different prefectures. The Hypothec Bank lent capital to the Banks of Agriculture and Industry by taking the bonds issued by the latter banks. The Banks of Agriculture and Industry acted as agents for the Hypothec Bank. The two helped each other in supplying capital to agriculture and industry.

(B) The capital of the Hypothec Bank was 10,000,000 *yen* and its shares were valued at 200 *yen* each, whereas the

capital of the various Banks of Agriculture and Industry was not more than 200,000 *yen* each, and their shares were valued at 20 *yen* each. There was only one Hypothec Bank established in Japan, whereas the other banks were numerous —one in each prefecture—and their shareholders were required to have their residences registered, and actually to live in said prefecture.[1]

In accordance with the purpose for which they were established, the loans were made with real property as security,[2] and on the annual instalment system. In the case of the Hypothec Bank these were fifty-year, and in the case of other banks, thirty-year instalments. In addition, loans might be made on a system of regular instalments for five years, the limit being one-tenth of the amount mentioned above (Hypothec Bank) or one-fifth (Banks of Agriculture and Industry).

(C) The capital was represented principally by the capital of each bank, but the most important matter to be considered was the issue of bonds.

When one-fourth or more of the capital was paid up, the Hypothec Bank might issue bonds to within ten times the paid-up capital and not exceeding the amount of the loans payable by annual instalments and the amount of the accepted bonds of the Banks of Agriculture and Industry, while the Banks of Agriculture and Industry might issue bonds to within five times the paid-up capital and not exceeding the loans by annual instalments minus the amount borrowed from the Hypothec Bank. The bonds were valued at 10 *yen* and upward with premium in the case of the Hypothec Bank, and at 5 *yen* and upward in the case of the Banks of Agriculture and Industry. The reason why the values were fixed so low was because thus the banks might be able to gather in small amounts as capital.

(D) These two kinds of banks were under the control of the Minister of Finance. In case the dividends of the Hy-

[1] The registry of residence means registry in the locality where is kept the book of registry of the family of which one is a member.
[2] Public corporations were exempted from furnishing this security.

pothec Bank should fall below 5 per cent, the Bank was to receive a subsidy for ten years from the time of its establishment. In the case of the Banks of Agriculture and Industry the various prefectures, in accordance with the law of subsidy to the Banks of Agriculture and Industry[1] were to be allowed to have capital to invest in the shares of the Banks to the limit of 70 *yen* per hundred *cho* of taxable land, not including house lots, mineral-water sites, or swamp grounds of the various prefectures; also to the limit of a total of 300,000 *yen* per prefecture and not exceeding one-third of the paid-up capital. Further, from the time of the establishment of the banks it was arranged that no dividends should be required for ten years for the shares subscribed by the prefectural governments, and for 5 years more the dividends should be included in the reserve fund. We shall explain later about the amount supplied.

In this way, middle-class farmers and industrialists who had been inconvenienced by the high rates of interest universally prevalent gained relief.

In accordance with the foregoing system, the Hypothec Bank was established in June, 1897, with a capital of 10 million *yen* and a paid-up capital of 2½ million *yen*. The doors of the Hypothec Bank were opened August 2, 1897.

A Bank of Agriculture and Industry was established in each prefecture, the first being the one in Tokyo prefecture established on December 28, 1897, and the last being the one established in Tokushima prefecture on August 9, 1900—forty-six in all. At the end of December, 1900, the year in which the establishment of the Banks of Agriculture and Industry was completed, the total amount of authorized capital was 28,370,000 *yen*, and the total paid-up capital 22,923,485 *yen*, of which 8,178,620 *yen* was the amount of the government subsidy, in accordance with the law of subsidy, to the Banks of Agriculture and Industry. At the time of their establishment, it happened that the money market was tight and there was a great demand for capital. So loans

[1] Law No. 84, April 20, 1896.

were steadily made and a great service was thus rendered agriculture and industry by these banks. In the case of the Hypothec Bank, between 1898 and 1903 the total amount of bonds issued was 72,557,820 *yen*. At the end of each year the amounts loaned dwindled, according to the nature of the loan, some being repaid in annual instalments, some at regular periods. The figures are as follows:

OUTSTANDING LOANS FOR VARIOUS PURPOSES AT END OF EACH YEAR, 1897–1903

Year	Agriculture	Industry	Public corporations[a]	Public associations[b]	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1897.....	342,709	816,600	10,000	206,703	1,376,012
1898.....	1,426,257	4,477,939	313,593	488,945	6,706,734
1899.....	2,328,762	4,886,682	539,425	1,019,973	8,774,842
1900.....	3,477,737	5,873,213	1,075,883	1,223,798	11,650,631
1901.....	4,565,202	6,451,573	1,601,883	1,429,920	14,048,578
1902.....	6,348,882	7,559,603	1,780,858	1,609,659	17,320,102[c]
1903.....	8,544,907	7,982,041	3,044,512	1,940,674	21,795,394[d]

[a] Includes loans to prefectures, counties, cities, towns and villages.
[b] Includes loans to water improvement guilds, earth-work guilds and arable land adjustment guilds.
[c] Includes 21,100 *yen*, loans of the Banks of Agriculture and Industry.
[d] Includes 283,260 *yen*, loans of the Banks of Agriculture and Industry.

The amounts of the bonds of the Banks of Agriculture and Industry taken over were not included in the foregoing table. They were as follows:

Year	Face value	Price
	Yen	*Yen*
1899.....	142,280	137,344
1900.....	175,580	170,644
1901.....	239,390	234,454
1902.....	442,610	437,799
1903.....	586,650	565,401

Now, by examining the Banks of Agriculture and Industry, we find the amounts of the bonds of those banks reached 7,033,430 *yen* between 1899 and 1903, and the amounts of the loans, those redeemable by annual instalments and those redeemable at regular periods, are shown in Table VII at the end of this chapter.[1]

[1] *Post*, p. 202.

Again, in order to show the power of the banks to do business in spite of the figures, two additional tables VIII and IX have been inserted at the end of this chapter.[1]

Let us consider next the Colonial Bank of Hokkaido. Its purpose was the same as that of the Banks of Agriculture and Industry of the various prefectures, but Hokkaido was different from other parts of the country in that the circulation of money was not yet sufficient, and in consequence the interest rate was very high. It was not easy, therefore, to establish a bank with qualifications as to shareholders, profits and subsidy the same as for the Banks of Agriculture and Industry. So the sphere of activity of this bank was made a little broader, and as we have briefly explained before, a special law was framed to permit a special kind of subsidy for it. The authorized capital was 3 million *yen* of which 1 million *yen* was furnished by the government, and on the government shares no dividends were required for ten years after the last day of the first period of the establishment. The business of the bank was begun on April 1, 1900, with a paid-up capital of 750,000 *yen*.

Although the sphere of activity of this bank was in the main the same as that of the other Banks of Agriculture and Industry, yet there were some differences. For example, as this bank was not only to loan money on the security of real property, but also to furnish capital for the development of the land of Hokkaido, loans were made with agricultural products, shares and bonds as security, bonds were subsidized, and the business of handling deposits and drafts was undertaken; in short the sphere of activity was somewhat broader than that of the Banks of Agriculture and Industry. Funds for the business were obtained, in addition to the bank's capital, by issuing bonds (colonial bank bonds) to the limit of five times the paid-up capital.

The actual business condition of the bank is shown by the following table of loans made:

[1] *Post*, pp. 203–205.

LOANS OF COLONIAL BANK OF HOKKAIDO

Year	To Agriculture and industry		To Industry	To Commerce	To public institutions	Total
1900	Instalment	*Yen* 492,786	*Yen* 82,821	*Yen* 30,000	*Yen* 12,620	*Yen* 618,227
	Regular period	36,840	....	....	3,500	40,340
	Total	529,626	82,821	30,000	16,120	658,567
1901	Instalment	*Yen* 913,540	*Yen* 126,921	*Yen* 25,183	*Yen* 12,353	*Yen* 1,077,997
	Regular period	221,200	103,400	5,000	....	329,600
	Total	1,134,740	230,321	30,183	12,353	1,407,597
1902	Instalment	*Yen* 1,031,781	*Yen* 152,014	*Yen* 166,728	*Yen* 51,864	*Yen* 1,402,387
	Regular period	247,460	128,000	....	40,000	415,460
	Total	1,279,241	280,014	166,728	91,864	1,817,847
1903	Instalment	*Yen* 1,183,176	*Yen* 109,706	*Yen* 242,858	*Yen* 40,223	*Yen* 1,575,963
	Regular period	427,741	113,600	80,700	40,000	662,041
	Total	1,610,917	224,306	323,558	80,223	2,238,004

As for the capital used in the business of the bank, the colonial bank bonds were issued until 1904. The rest was as follows:

Year	Paid-up capital	Reserve	Percentage of dividends	Loans	
				Total in year	Balance at end of year
	Yen	*Yen*		*Yen*	*Yen*
1900.....	1,050,000	2,343	7.0	723,435	703,544
1901.....	2,098,400	15,248	7.0	1,911,118	1,501,606
1902.....	2,100,000	76,400	8.0	3,532,080	2,102,857
1903.....	2,700,000	106,600	8.0	5,287,744	2,646,278
Total ...	7,948,400	200,591		11,454,377	6,954,285

Bank of Formosa

The Bank of Formosa was established in accordance with Law No. 38 of March, 1897,[1] as the central financial institu-

[1] Concerning the Bank of Formosa.

tion of Formosa, with the object of furnishing capital for commerce, industry and public works, of developing the economic resources of Formosa, and of extending the scope of business of the Bank to South China and the South Sea Islands by providing a financial organ for the commerce of these countries; the Bank was also intended to secure the economic independence of Formosa and reform the monetary system. The government believed that the sound development of Formosa could not be hoped for unless protection was given to the Bank, in view of the conditions prevailing in the island, where everything was still undeveloped, peace and order were not yet secured, and the credit system was not yet established. So, by Law No. 35 of March 1, 1899,[1] (1) 2 million *yen* of silver were lent to the Bank without interest, to be used exclusively as a reserve fund for the conversion of notes, (2) 1 million *yen* of the 5 million *yen* capital of the Bank were subscribed by the government. In addition, it was arranged that the dividends on shares payable to the government should be transferred for five years to the reserve fund for meeting the losses of the Bank, thereby making the establishment of the Bank easier, and then on July 27 of the same year, the silver 2 million *yen* were exchanged for 2,127,659 pieces of silver *yen* in coins (94 *sen* per 1 piece) and these were paid to the Bank together with 54 *sen* of auxiliary silver coins, thereby fulfilling the duty of subsidizing the Bank. The Bank on July 22, 1899, secured 1,250,000 *yen* or one-fourth of the authorized capital of 5 million *yen*, and the doors were opened on September 26.

This Bank, as the central bank, has the power to issue notes. At first by Article VIII of the law concerning the Bank of Formosa, this Bank was authorized to issue notes valued at 5 *yen* and upward redeemable in gold. But the conditions in the island were not yet such as to need this conversion into gold. So by Law No. 34 of March, 1899, this regulation was changed and the Bank was empowered to issue notes redeemable in silver coin valued at 1 *yen* and upward. As to regula-

[1] Concerning a subsidy to the Bank of Formosa.

tions for the reserve, to guarantee the issue of silver certificates, specie (gold or silver) to the amount of one-half and upward of the issue was to be kept as a reserve. For the rest, up to the limit of 5 million *yen*, government notes, convertible bank notes and other reliable certificates or commercial checks could be made a guarantee. Again, in case of need of a further issue of notes, the same amount of guarantee reserve was to be kept in readiness and the tax on the issue at the rate of 5 per cent per annum or upward was to be paid. Bank notes were issued for the first time on September 29 to the amount of 490,000 *yen*.

The following table will show the actual condition of the business from September, 1899, to December, 1903.

Date	Specie Reserve			Guarantee reserve	Total
	Gold	Silver	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Sept., 1899.....	....	449,098	449,098	....	449,098
Oct., 1899.....	....	1,050,000	1,050,000	....	1,050,000
Nov., 1899.....	....	1,523,337	1,523,337	....	1,523,337
Dec., 1899.....	....	1,834,917	1,834,917	....	1,834,917
Dec., 1900.....	494,276	1,577,585	2,071,861	1,511,529	3,583,390
Dec., 1901.....	....	1,829,358	1,829,358	1,370,371	3,199,729
Dec., 1902.....	....	3,352,719	3,352,719	1,746,447	5,099,166
Dec., 1903.....	222,222	2,219,303	2,441,525	2,181,989	4,623,514
Total.....	716,498	13,836,317	14,552,815	6,810,336	21,363,151

Again, the average annual amounts of issue at the month's end were as follows:

Year	Specie reserve			Guarantee reserve	Total
	Gold	Silver	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1899.....	....	1,214,338	1,214,338	....	1,214,338
1900.....	352,134	2,017,568	2,369,702	1,467,707	3,837,409
1901.....	50,548	1,925,684	1,976,232	1,486,970	3,463,202
1902.....	....	2,799,880	2,799,880	1,650,940	4,450,820
1903.....	614,368	2,027,593	2,641,961	2,222,150	4,864,111
Total.....	1,017,050	9,985,063	11,002,113	6,827,767	17,829,880

As shown in the foregoing table, the Bank of Formosa gradually extended the scope of its business. It established branches on the mainland of Japan, and branches and agencies in Amoy, Hongkong and other places; thereby more and more perfectly rendering the service for which it was established. Table X at the end of this chapter[1] sets forth the principal facts as to the Bank's activities in recent years.

Industrial Bank of Japan

The Industrial Bank of Japan was established as a realty bank. It was based upon Law No. 70 of March, 1900. About 1890 our national finance was freed from the evils of inconvertible notes. When certain new enterprises were undertaken and the money circulation became tight, the government ordered the Bank of Japan to initiate the so-called security system, that is, to give discount or allow an overdraft for a certain amount of shares as guarantee in order to relieve the urgent needs of the industrial world, and at the same time to take over the loans made in accordance with the security system mentioned above, by establishing a bank for personalties. That was how the Industrial Bank of Japan came to be established. About ten years later, when at the close of the Sino-Japanese War new enterprises were projected, and as capital was insufficient it became necessary to plan the importation of foreign capital, this Bank was established to meet the need.

The Bank's authorized capital amounted to 10 million *yen*, and with the passage of the industrial bank law its establishment was planned. But at that time the money circulation was tight and did not permit the opening of the Bank. So the issue of shares was postponed for a time. The restoration of a favorable money market was awaited. At last, in March, 1902, 2,500,000 *yen* were paid in, as the first instalment on the shares of the Bank, and the doors were opened on April 10 of the same year. The Bank was to make loans on the security of national bonds, bonds of local governments and

[1] *Post* p. 206.

the bonds and shares of various companies, and to underwrite these. It was empowered to secure a part of the capital for its business by issuing industrial bank bonds. The limit of the bond issue was fixed at five times the paid-up capital or not to exceed the actual amount of the loans or the local government bonds or company bonds then in the hands of the Bank.

Table XI at the end of this chapter[1] shows the actual results of the business of this Bank.

Conditions in the Banking Industry

In the foregoing section we have explained in detail how the government, to encourage the national development after the Sino-Japanese War, helped to establish various special banks, and, by enlarging the spheres of the ordinary banks which had been established before the war, planned to reform the monetary system. With the change in economic conditions after the war, the government was able to solve the problem of what disposition to make of the national banks, which had been pending since before the war, and thereby added to the stability of the monetary system. This should be especially noted as a result brought about by the war.

The system of national banks was established in accordance with Law No. 349, with the object of redeeming the government notes which had been recklessly issued since the beginning of the Meiji Era (1868) and of facilitating the circulation of commercial capital. We shall here briefly explain the method of issue of these bank notes. The national banks offered the government notes in exchange for public loan bonds—redeemable in gold certificates, and then by offering the latter received bank notes. The national bank notes were convertible in specie. But at that time our country exported gold and silver, especially gold, to an enormous amount. The price of gold coin rose, so that there came to be a difference between gold certificates and gold coin,[2] and the national banks

[1] *Post*, p. 206.

[2] Between July 1873 and 1876 the highest difference was 4.9 per cent, in March, 1876.

could no longer issue bank notes. Consequently, the management of these banks became very difficult, and only four or five of them were established. The government in order to encourage the establishment of national banks and enable them to accomplish the original purpose and at the same time to maintain the price of the enormous amount of bonds newly issued at the time the change in the system was made, changed the system of specie conversion into the system of conversion into currency, that is, government notes, by Law No. 106 of August, 1876. Thus appeared the inconvertible bank notes. After this banks were established one after another, 153 banks being established from September, 1876, to November, 1879, with a paid-up capital amounting in all to 40,616,063 *yen*, while the notes issued amounted to 34,046,014 *yen*.

But, later, the government notes were not redeemed at all, and at the end of January, 1878, the highest point was reached, the notes issued amounting to 139,301,593 *yen*. Moreover, the inconvertible bank notes increased gradually and the price of notes decreased until, in 1881, the lowest point was touched when the difference between notes and specie reached 93 per cent against gold and 79.5 per cent against Mexican silver. Thereupon the government decided to redeem the various notes and at the same time to change the system. Separate banks were replaced by one central bank and in 1882 the Bank of Japan was established;[1] from 1884 convertible bank notes were issued.[2] Again the government, by Law No. 14, of June, 1885, decided to begin the conversion of government notes into silver coins in January, 1886.[3] In regard to these banks, it must be added that the government revised the national-bank regulations on May 5, 1883[4] thereby fixing the period of existence at twenty years in full from the day the permit was issued; the term limit of the banks expired between September, 1886, and December, 1899. Fur-

[1] Law No. 32 of 1882.
[2] Law No. 18 of May, 1884.
[3] At the end of 1885 the government notes amounted to 88,345,096 *yen*.
[4] Law No. 14.

thermore, it was decided to redeem the bank notes, amounting to 31,812,880 *yen*, which existed at the time by the following method. This was called the united method of redemption of national bank notes. As for a while it caused a great sensation in political circles after the Sino-Japanese War, we shall briefly explain below this method of redemption.

(1) The national banks shall deposit with the Bank of Japan, for conversion of the notes a reserve (currency) amounting to one-fourth of the notes allowed them, which reserve shall be kept as a time deposit during the years in which the banks are operated, to be applied to the redemption of the notes (first class redemption fund).

(2) The national banks shall set aside out of their profits at the end of each half year an amount equal to 2.5 per cent per annum of the amount of the notes allowed them and shall deposit this with the Bank of Japan as a fund for the redemption of the notes (second class redemption fund).

(3) The Bank of Japan shall purchase interest-bearing bonds with the foregoing sums and shall redeem notes with the interest and transfer the notes to the Department of Finance. The Department of Finance shall then hand over public loan bonds to said bank equal in amount to those redeemed.

According to the estimate at the time, the market price of the public loan bonds bearing 7 per cent interest was expected to be as mentioned below, as the result of which transaction the amount of interest on bonds purchased up to 1897 with the first-class redemption fund would amount to 10,738,982 *yen*, and the amount of the face value of the bonds purchased with the second-class redemption fund to 13,791,515 *yen* and the interest to 7,992,224 *yen*, totaling 32,522,721 *yen*. This plan was to leave a certain amount of surplus compared with the existing amount of the notes, the banks being able to redeem a greater part of the notes with a portion of the interest of the reserve fund and the profits at the time of the expiration of the business term. Moreover, it was expected that the public loan bonds and the reserve fund would remain in the possession of the bank, and that the notes issued would

return to the bank indirectly in the form of currency, so that the problem would be satisfactorily solved. But this plan was impracticable for two reasons. One was that the price of bonds rose, and the other that the bonds bearing 7 per cent interest disappeared. For the former reason the amount needed to purchase the bonds was reduced. For the latter the amount of interest was reduced. The following table will show a comparison between the price of bonds as estimated at the time of the initiation of the united plan of redemption and that actually received:

Comparison of Estimated and Actual Price of Bonds, 1883–1895

Year	Estimated price of bonds	Rate of interest	Actual price of bonds	Rate of interest
	Yen	*Per cent*	*Yen*	*Per cent*
1883	80,000	7	83,947	7
1884	80,000	7	93,393	7
1885	80,000	7	96,331	7
1886	85,000	7	107,309	7
1887	85,000	7	101,578	5
1888	85,000	7	101,445	5
1889	85,000	7	101,015	5
1890	90,000	7	99,866	5
1891	90,000	7	100,451	5
1892	90,000	7	101,726	5
1893	90,000	7	106,962	5
1894	95,000	7	105,270	5
1895	90,000	7	99,703	5

The difference between the estimated price and the actual market price was as just stated. Moreover, in 1886, the law of consolidated bonds was established, and from March, 1887, the bonds of 5 per cent or above were redeemed so that it became impossible to purchase 7 per cent bonds.

These facts produced a great miscalculation in the estimate of the redemption fund.

Thereupon, the national banks asked for a postponement of the right to issue notes, in order to make up for the losses arising from the miscalculation mentioned above. The government on the other hand tried to deprive them of their special privilege upon the expiration of the business term and

to change them into private banks, only thus allowing them to continue their business (advocacy for continuation). Thus the two diverse opinions, as to extension or continuation, constituted a great problem for the nation, especially for the Diet, from ante-war times. But after the war, the confusion in the money market increased, so that the advocates of extension gained the upper hand, enthusiastically upholding this doctrine on the ground that the future money market would become tighter and the price of bonds would fall, and that the reason why the price of bonds, which had risen ordinarily at the time of the Sino-Japanese War, was maintained, lay in the fact that the national banks needed them. For a while many people considered this view as being a reasonable one. So the government by law ordered the Bank of Japan to lend capital for the redemption of notes amounting to 22 million *yen*, without interest, in order to relieve the national banks from the difficulties which had arisen from the aforementioned miscalculation. But, fortunately, from the latter half of 1895 the market value of securities generally rose and with renewed activity in industrial and commercial circles the banking business became most profitable. So the once powerful advocates of the doctrine of extension lost their influence, and a bill embodying the first principle, that of continuation, was passed by the Imperial Diet, and at last the 153 national banks disappeared altogether from the economic world in February, 1899. Of these 153 banks, 8 dissolved of themselves on the expiration of their terms, 16 amalgamated and 7 closed their doors. Only 122 continued as private institutions. Of these, 30 were changed after, and 92 before, the expiration of their term.

We have so far explained the problem of adjustment connected with the national banks. We shall now glance at the banking business in general. In the first place, as a result of this reconstruction of the national banks, a number of specially privileged banks, including the Bank of Japan, the Yokohama Specie Bank, the National Bank, the Hypothec Bank of Japan, the Banks of Agriculture and Industry, the

Colonial Bank of Hokkaido, the Industrial Bank of Japan, the Bank of Formosa, and a number of ordinary banks, were considerably changed, as shown below:

INCREASE IN NUMBER OF BANKS, 1893–1903

Year	Main Banks			Total	Branch Banks			Total
	Special banks	Ordinary banks	Savings banks		Special banks	Ordinary banks	Savings banks	
1893...	135	545	23 (1[a])	703	162	165	12	339
1894...	135	700	30 (1[a])	865	188	196	30	414
1895...	135	792	86 (6[a])	1,013	193	277	107	577
1896...	123	1,005	149 (44[a])	1,277	180	428	224	832
1897...	61	1,223	221 (91[a])	1,505	83	651	270	1,004
1898...	48	1,444	260 (158[a])	1,752	18	912	453	1,383
1899...	49	1,561	333 (198[a])	1,943	30	1,069	631	1,730
1900...	51	1,802	419 (262[a])	2,272	32	1,374	814	2,220
1901...	51	1,867	441 (273[a])	2,359	33	1,457	542 (337[a])	2,032
1902...	52	1,841	431 (270[a])	2,324	34	1,470	536 (331[a])	2,040
1903...	52	1,754	469 (219[a])	2,275	35	1,441	586 (291[a])	2,062

[a] Ordinary banks conducting savings business so their number was not included in the total figures.

Table XII at the end of this chapter[1] will show the amount of capital, deposits, net profits, and dividends of these banks.

The following table will show the amounts of deposits and loans for the various banks:[2]

[1] *Post*, p. 207.

[2] The special banks include the Bank of Japan, the National Banks (up to the end of 1898), the Yokohama Specie Bank, the Hypothec Bank of Japan (after 1897), the Banks of Agriculture and Industry (after 1898), the Bank of Formosa (after 1899), the Colonial Bank of Hokkaido (after 1900), and the Industrial Bank of Japan (after 1902).

BANK DEPOSITS AND LOANS

Year	Deposits		Loans	
	Amount	Percentage (1893 = 100)	Amount	Percentage (1893 = 100)
	Yen		*Yen*	
1893	115,139,920	100.0	195,017,509	100.0
1894	138,452,655	120.2	227,909,656	116.9
1895	190,840,473	165.7	322,645,257	165.2
1896	430,234,984	373.7	543,823,073	278.9
1897	383,910,820	333.4	500,821,394	256.8
1898	400,892,757	438.2	648,390,268	332.5
1899	606,053,315	526.4	882,574,248	452.6
1900	610,010,408	529.8	992,247,666	508.8
1901	604,618,138	525.1	921,074,784	472.3
1902	712,677,790	619.0	991,138,278	508.2
1903	778,514,683	676.1	1,046,774,556	536.8
	4,971,345,943		7,272,416,689	

The foregoing figures show the conditions of the banks in Japan after the Sino-Japanese War. In point of capital, deposits and loans, all made rapid progress. Especially in 1899 was their development very remarkable, after the period of adjustment of the national banks. All this followed as a result of the activity of economic circles after the war, but the reconstruction of the national banks had a great deal to do with producing this prosperous condition. Therefore, we can not but recognize the fact that the war after all had no small effect upon the banking industry.

TABLE I.—INFLATION OF CURRENCY

Date	Money in circulation			Total in Treasury	Balance in circulation	Percentage of prices
	Coin	Paper	Total			
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	
January 31, 1894	52,227,579	185,929,690	238,157,269	45,891,633	192,265,636	123
End of June 30, 1894[a]	52,252,649	178,621,176	230,873,825	44,019,370	186,854,455	126
December 31, 1894	62,711,242	185,000,044	247,711,286	16,624,102	231,087,184	133
January 31, 1895	62,761,409	177,333,261	240,094,670	15,794,033	224,300,637	133
April 30, 1895[b]	68,336,243	166,932,195	235,268,438	14,708,034	220,560,404	133
December 31, 1895	69,739,986	212,262,825	282,000,811	11,521,704	270,479,107	140
Comparison with June 30, 1904						
December 31, 1894	10,458,593[c]	6,378,868[c]	16,837,461[d]	27,395,268[d]	44,232,729[b]	11[c]
December 31, 1895	17,487,337[c]	33,641,649[c]	34,289,525[d]	32,497,666[d]	83,624,652[b]	8

[a] War began. [b] War ended. [c] Increase. [d] Decrease.

TABLE II.—BANK NOTE ISSUES, 1893–1899

Fiscal year	Month-end specie reserve issue	Month-end guarantee reserve issue	Month-end total issue	Reserve strength of issue	Extra-limit issue	Average annual issue	Percentage compared with issue
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	
1893.....	85,928,516	62,734,612	148,663,128	1,121,922	....	129,732,824	100.0
1894.....	81,718,291	68,095,409	149,813,700	....	4,197,549	139,587,513	107.6
1895.....	60,370,797	119,966,018	180,336,815	....	55,083,148	143,712,858	110.8
1896.....	132,730,192	65,583,704	198,313,896	3,598,064	....	168,212,963	129.7
1897.....	98,261,473	127,967,585	226,229,058	....	47,312,657	189,367,882	146.0
1898.....	89,570,239	107,829,662	197,399,901	....	24,016,569	180,487,840	139.1
1899.....	110,142,169	140,419,871	250,562,040	....	20,721,835	194,366,382	149.8
Total.....	658,721,677	692,596,861	1,351,318,538	4,719,986	151,331,758	163,638,323	

TABLE III.—INCREASE AND DECREASE OF BANK NOTE ISSUES

Fiscal year	Month-end specie reserve issue	Month-end guarantee reserve issue	Month-end total issue	Reserve strength of issue	Extra-limit issue	Average annual issue	Percentage compared with issue.
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	
1893.....	....	....	....	1,121,922	....	....	....
1894.....	4,210,225[a]	5,360,797	1,150,572	....	4,197,549	9,854,689	7.6
1895.....	25,557,719[a]	57,231,406	31,673,687	....	55,083,148	13,980,034	10.8
1896.....	46,801,676	2,849,092	49,650,768	3,598,064	....	38,481,139	29.7
1897.....	12,332,957	65,232,973	77,565,930	....	47,312,657	59,635,058	46.0
1898.....	3,641,723	45,095,050	48,736,773	....	24,016,569	50,755,016	39.1
1899.....	24,213,653	77,685,259	101,898,912	....	20,721,835	64,633,558	49.8
Total.....	116,757,953	253,454,577	310,676,642	4,719,986	151,331,758	39,556,582	

[a] Decrease.

TABLE IV.—LOANS MADE BY BANK OF JAPAN, 1893–1899

Year	Public loans	Government loans		Loans to redeem bank notes	Deposits	Total
		Permanent	Temporary			
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893	34,624,243	22,000,000	....	....	....	56,624,243
1894	36,601,697	22,000,000	15,500,000	....	....	74,101,697
1895	66,878,141	22,000,000	41,500,000	....	....	130,378,141
1896	93,639,625	22,000,000	50,000,000	958,447	91,486,288	258,084,360
1897	104,973,122	22,000,000	6,831,132	4,563,786	63,827,136	202,195,176
1898	84,375,651	22,000,000	....	4,531,714	22,967,093	133,874,458
1899	121,097,798	22,000,000	....	3,786,992	48,350,174	195,234,964
Total	542,190,277	154,000,000	113,831,132	13,840,939	226,630,691	1,050,493,039

TABLE V.—AMOUNT OF GUARANTEE RESERVE ISSUE AT END OF EACH YEAR, 1899–1903

Year	Specie reserve[a]	Securities reserve[a]	Amount of issue[a]	Securities issue		Average annual issue	
				Reserve strength of issue	Extra-limit issue	Amount	Percentage (1899=100)
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1899	110,142,169	140,419,871	250,562,040	....	20,721,835	194,366,382	100.0
1900	67,349,129	161,220,903	228,570,032	....	41,220,903	205,722,228	105.8
1901	71,358,371	142,738,395	214,096,766	....	22,738,395	187,660,243	96.5
1902	109,118,817	122,975,560	232,094,377	....	2,975,560	187,153,619	96.3
1903	116,962,184	115,958,379	232,920,563	4,041,621	....	201,847,692	103.8

[a] At close of year.

TABLE VI.—LOANS OF YOKOHAMA SPECIE BANK, 1893–1903

Year	Loans	Debt loans	Overdraft by current account	Temporary loans as foreign exchange	Discount	Drafts with interest	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893.....	4,799,774	63,509	716,289	333,397	2,396,605	2,105	8,311,679
1894.....	3,859,002	69,805	768,017	149,176	2,957,089	....	7,803,089
1895.....	3,136,379	99,808	1,153,364	5,614	4,286,297	....	8,681,462
1896.....	6,200,684	24,102	2,096,301	375,510	6,033,502	....	14,730,099
1897.....	2,120,478	24,597	1,660,629	1,106,420	9,313,763	....	14,225,887
1898.....	7,735,608	25,370	2,475,942	850,883	12,726,776	9,581,126	33,395,705
1899.....	4,867,081	197,906	3,469,639	1,068,554	12,423,426	11,879,066	33,905,672
1900.....	3,455,044	364,045	5,435,835	985,441	18,305,351	16,266,297	44,812,013
1901.....	6,527,867	461,112	3,636,712	2,273,496	9,021,841	12,597,637	34,518,665
1902.....	10,286,835	417,481	3,333,785	720,614	8,305,622	16,934,522	39,998,859
1903.....	10,052,061	492,527	3,539,042	993,194	17,918,760	16,889,405	49,884,989
Total....	63,040,813	2,240,262	28,285,555	8,862,299	103,689,032	84,150,158	290,268,119

TABLE VII.—LOANS OF BANKS OF AGRICULTURE AND INDUSTRY

Year	Redemption	Industry		Agriculture and industry		Public corporations		Arable land adjustment guilds		Total
		Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	
		Yen		*Yen*		*Yen*		*Yen*		*Yen*
1894	Annual instalments	1,154,042	3.1	2,279,870	6.2	235,587	0.7	....	...	3,687,499
	Regular periods	123,500	2.3	298,881	5.6	111,248	2.1	....	...	533,629
	Total	1,277,542	3.0	2,578,751	6.2	346,835	0.8	....	...	4,221,128
		Yen		*Yen*		*Yen*				*Yen*
1899	Annual instalments	2,565,573	2.4	7,163,043	6.8	794,134	0.8	....	...	10,522,750
	Regular periods	453,939	2.9	837,255	5.4	249,077	1.7	....	...	1,540,271
	Total	3,019,512	2.5	8,000,298	6.6	1,043,211	0.9	....	...	12,063,021
		Yen		*Yen*		*Yen*				*Yen*
1900	Annual instalments	4,060,097	2.4	11,113,843	6.7	1,473,708	0.9	....	...	16,647,648
	Regular periods	792,192	3.1	1,359,200	5.4	376,769	1.5	....	...	2,528,161
	Total	4,852,289	2.5	12,473,043	6.5	1,850,477	1.0	....	...	19,175,809
		Yen		*Yen*		*Yen*		*Yen*		*Yen*
1901	Annual instalments	4,948,007	2.5	13,367,322	6.7	1,679,208	0.8	....	...	19,994,537
	Regular periods	944,071	3.1	1,705,033	5.6	326,465	1.1	51,564	0.2	3,027,133
	Total	5,892,078	2.6	15,072,355	6.5	2,005,673	0.9	51,564	...	23,021,670
		Yen		*Yen*		*Yen*		*Yen*		*Yen*
1902	Annual instalments	5,122,481	2.4	14,966,520	6.9	1,612,287	0.7	....	...	21,701,288
	Regular periods	941,691	2.8	1,835,795	5.6	355,785	1.1	173,953	0.5	3,307,224
	Total	6,064,172	2.4	16,802,315	6.7	1,968,072	0.8	173,953	0.1	25,008,512
		Yen		*Yen*		*Yen*		*Yen*		*Yen*
1903	Annual instalments	5,499,088	2.3	17,253,562	7.1	1,483,777	0.6	60,241	...	24,296,668
	Regular periods	759,260	2.3	1,947,874	5.7	367,294	1.1	317,672	0.9	3,392,100
	Total	6,258,348	2.3	19,201,436	6.9	1,851,071	0.7	377,913	0.1	27,688,768

TABLE VIII.—HYPOTHEC BANK OF JAPAN

Year	Paid-up capital	Sundry reserves	Percentage of dividends	Bonds issued		Loans	
				Total	At end of year	Total	Balance at end of year
	Yen	*Yen*		*Yen*	*Yen*	*Yen*	*Yen*
1897	2,500,000	....	5.0	....	....	1,376,012	1,376,012
1898	2,500,000	7,361	5.0	4,997,100	4,972,100	6,776,609	6,706,734
1899	2,500,000	33,004	6.8	7,472,100	7,328,360	9,062,816	8,774,842
1900	2,500,000	70,926	9.0	9,828,360	9,640,880	12,312,259	11,650,631
1901	2,500,000	135,926	9.3	13,640,880	13,378,420	14,762,770	14,048,578
1902	3,250,000	210,926	10.0	16,378,420	14,240,960	18,560,174	17,320,102
1903	3,250,000	460,926	10.0	20,240,960	18,981,400	23,604,878	21,795,394
Total	19,000,000	919,069		72,557,820	68,542,120	86,455,518	81,672,293

TABLE IX.—BANKS OF AGRICULTURE AND INDUSTRY

Capital, Deposits, Percentage of Dividends and Loans

Year	Authorized capital	Paid-up capital	Sundry reserves	Percentage of dividends		Various loans made	
				First half year	Second half year	Total	Balance at end of year
	Yen	*Yen*	*Yen*			*Yen*	*Yen*
1897.....	23,950,000	575,000	....	...	...	....	....
1898.....	28,220,000	8,740,975	1,421	4.3	7.3	4,356,537	4,221,119
1899.....	28,220,000	15,980,365	82,980	7.6	8.1	12,717,549	12,063,021
1900.....	28,370,000	22,923,485	334,009	8.4	9.1	20,822,745	19,200,809
1901.....	28,370,000	26,050,000	793,157	8.6	8.9	25,590,469	23,086,785
1902.....	28,370,000	27,657,234	1,431,263	8.7	8.5	28,408,801	25,114,442
1903.....	28,520,000	27,770,000	1,986,188	8.2	8.3	31,953,559	27,881,993
Total.....	194,020,000	129,697,059	4,629,018			123,849,660	111,568,169

TABLE IX.—BANKS OF AGRICULTURE AND INDUSTRY—*Continued*

Bonds

Year	Issued during year		Total	Balance from previous year	Total	Redeemed	Balance at end of year
	Taken over by Hypothec Bank	Popular subscription					
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1899	142,280	387,720	530,000	....	530,000	530,000	530,000
1900	33,300	66,700	100,000	530,000	630,000	....	630,000
1901	63,810	356,190	420,000	630,000	1,050,000	26,100	1,023,900
1902	209,300	820,700	1,030,000	1,023,900	2,053,900	34,370	2,019,530
1903	158,160	591,840	750,000	2,019,530	2,769,530	167,290	2,602,240
Total	606,850	2,223,150	2,830,000	4,203,430	7,033,430	757,760	6,805,670

TABLE X.—FINANCIAL STATEMENT CONCERNING BANK OF FORMOSA

Year	Total amount of business handled		Paid-up capital	Percentage of dividends	Deposits at end of year	Loans outstanding at end of year
	Receipts	Disbursements				
	Yen	*Yen*	*Yen*		*Yen*	*Yen*
1899.....	28,714,414	26,073,405	1,250,000	...	1,009,081	3,374,633
1900.....	200,545,322	201,066,333	1,250,000	7.0	5,060,407	7,672,290
1901.....	188,806,977	189,243,297	1,250,000	8.5	4,600,613	6,988,439
1902.....	217,150,457	215,759,646	2,500,000	9.0	6,532,653	9,987,909
1903.....	344,655,827	344,416,296	2,500,000	9.0	5,812,504	9,392,622
Total...	979,872,997	976,558,977	8,750,000		23,015,258	37,415,893

TABLE XI.—FINANCIAL STATEMENT CONCERNING INDUSTRIAL BANK OF JAPAN

Year	Paid-up capital	Percentage of dividends		Various loans		Securities				Total
		First half year	Second half year	During year	Balance at end of year	National bonds	Local bonds	Shares	Company bonds	
	Yen			*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1902 ...	2,500,000	5	5	4,497,108	3,237,658	125,628	231,750	2,792,254	206,000	3,355,632
1903 ...	2,500,000	5	5	20,263,708	4,595,480	135,323	7,200	3,413,138	1,152,000	4,707,661

TABLE XII.—CAPITAL, DEPOSITS, PROFITS AND DIVIDENDS OF BANKS, 1893–1903

Year	Authorized capital	Capital and reserve			Net profits	Dividends	
		Paid-up capital	Reserve	Total		Amount	Percentage to paid-up capital and reserve
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	
1893.....	110,316,880	94,066,304	29,808,362	123,874,666	13,963,489	9,191,134	0.39
1894.....	121,954,580	101,379,881	33,335,301	134,715,182	17,436,158	10,204,117	0.40
1895.....	160,319,479	127,647,604	37,885,078	165,532,682	26,283,471	16,576,292	0.51
1896.....	240,456,044	166,200,458	58,665,661	224,866,119	46,990,957	14,901,618	0.32
1897.....	310,800,674	206,140,292	37,875,653	244,015,945	45,533,428	26,755,314	0.48
1898.....	381,549,034	256,594,023	41,659,496	298,253,519	41,897,026	21,392,721	0.31
1899.....	428,239,109	291,682,947	51,521,319	343,204,266	47,302,073	26,983,288	0.35
1900.....	501,565,070	341,922,461	59,883,630	401,806,091	51,264,439	27,950,465	0.31
1901.....	515,683,200	361,207,456	68,337,715	429,545,171	52,088,491	28,431,336	0.30
1902.....	525,117,030	372,950,072	77,524,656	450,474,728	56,314,326	29,291,935	0.30
1903.....	521,272,500	374,685,766	86,688,431	461,374,197	54,820,457	28,818,266	0.29
Total..	3,817,273,600	2,694,477,264	583,185,302	3,277,662,566	453,894,315	240,496,486	

CHAPTER IV

EFFECTS ON INDUSTRIES

Following the crisis of 1890, came business depression, which lasted for three years, from 1891–1893. During these three years, the principle of conservation was most carefully followed in every branch of industry in Japan, and no positive plans were adopted for any. Meanwhile, however, Japanese business recovered from the blows of the past, the failures of the previous years were forgotten, conditions favorable to productive power were secured, and the once disturbed state of the business world was remedied. As a result, capital accumulated, the condition of the money market became sluggish and the business people of the country were thus prepared to enter upon fresh activities. But just at this time the Sino-Japanese War broke out, and the nation, putting everything else aside, was compelled to devote its whole energy to the prosecution of the war, which was a life-and-death struggle to Japan.

Fortunately for her, Japan won a glorious victory and increased her prestige greatly in the eyes of the whole world. People in general were encouraged by this victory to such an extent that the money market, after having met the very large expenditure necessitated during the war, showed reserve power after the war was over. Encouraged by this favorable state of the money market, the enterprise of the people, which had been restrained during the war, suddenly burst forth everywhere in new business undertakings. Of the various branches of business which the minds of the people were thus stimulated to engage in during these years, railways came first, and next banking, while the least enthusiasm was shown for general commerce and industry.

A glance at the conditions of industry in Japan during the war shows that while the interference with communication and the money market affected to some extent the general

industries of the country, yet on the other hand the unusual activity apparent in munition factories, occasioned by the need of munitions on the battlefield, balanced this depression. Besides, in those days, most of the industries in Japan were still at the outset of their development, and therefore supplying local demands only, so that they did not sustain any very serious blows during the war. Indeed, it may be stated that even during the war industries in Japan, generally speaking, made some progress, and when a business boom set in after the war their advancement was of course still more remarkable. Thus during these years the Japanese laid the basis for the notable progress which their industries attained after the Russo-Japanese War in later years. Let us first look at the conditions of industrial investment in Japan. As we have no authentic materials for a survey of the whole field of industry, we shall tabulate the amount of capital of the companies engaged in various industries as follows:

CAPITAL INVESTMENT IN INDUSTRY

Year	Number of companies	Authorized capital	Paid-up capital		Reserve
			Amount	Increase	
		Yen	*Yen*	*Per Cent*	*Yen*
1896....	1,367	143,617,530	89,900,900	100.0	7,404,980
1897....	1,881	165,332,633	105,381,106	117.2	7,581,535
1898....	2,164	183,657,046	122,066,653	135.8	11,642,993
1899....	2,253	222,673,634	147,783,280	164.4	13,467,802
1900....	2,554	216,766,903	158,851,730	176.7	17,697,540
1901....	2,477	219,249,806	166,293,003	185.0	24,057,360
1902....	2,427	222,120,693	173,222,689	192.7	24,794,154
1903....	2,441	214,404,088	170,346,340	189.5	29,966,661
Total .	17,564	1,587,822,333	1,133,845,701		136,613,025

As the figures in the foregoing table indicate, the capital invested in certain industries was doubled in the four or five years subsequent to 1896, and thenceforward it continued to increase at the same rate. Yet when compared with the amount of capital invested in other kinds of business,[1] it will

[1] Cf. table, p. 210.

be seen that the increase in capital of the companies engaged in these industries was far smaller than that of companies engaged in agricultural and commercial business and in communication. The percentage of this industrial investment compared with the total amount of investment in all these different kinds of business, too, was generally less than 20 per cent; so that it may be seen that industrial investment did not increase steadily during said years. In a word, it may be stated that industrial enterprises did not make any considerable progress during this period.

Ratio of Industrial Investment to Total Investment

Year	Industrial companies	Agricultural companies	Commercial companies	Communication companies	Total	Ratio of industrial investment to the total
	Per cent	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
1896 ...	100.0	100.0	100.0	100.0	100.0	22.6
1897 ...	117.2	134.5	135.0	145.5	134.0	19.8
1898 ...	135.8	141.0	155.7	174.2	156.4	19.6
1899 ...	164.4	139.0	174.1	175.0	172.0	21.6
1900 ...	176.7	157.8	201.9	202.0	196.0	20.4
1901 ...	185.0	159.7	216.5	214.8	208.7	10.0
1902 ...	192.7	154.0	228.4	232.0	221.1	19.7
1903 ...	189.5	192.9	234.4	231.7	223.3	19.2

Of the industrial companies whose paid-up capital is represented in the foregoing table, those having one million *yen* or more at the end of the year 1903, and making somewhat rapid progress, were the companies engaged in the branches of industry given in the following table. The condition of these companies indicates fairly well the general condition of the business world following the Sino-Japanese War.

As the figures in this table indicate, the industries which made most progress during this period were the cleaning of grain, manufacturing of soy bean paste, and tobacco, shipbuilding, electric light manufacturing, printing, paper milling, and cement manufacturing. All these industries except tobacco, whose success had a great deal to do with the establishment of the government monopoly system, attained

PROGRESS OF INDUSTRIES, 1896–1903

Industry	December 31, 1896	December 31, 1899	December 31, 1903	Increase of 1903 over 1896
	Yen	*Yen*	*Yen*	*Per Cent*
Grain refining	344,668	1,255,978	1,498,426	435
Sake brewing	2,056,895	6,133,044	3,748,253	182
Beer brewing	(unknown)	2,756,940[a]	3,156,470	....
Soy and bean paste manufacturing	325,392	928,460	1,943,796	598
Sugar refining	1,474,106	2,419,968	2,710,300	184
Tobacco manufacturing	1,113,099	11,320,965	13,385,933	1,202
Manufacturing of medicines and chemicals	(unknown)	(unknown)	2,132,865	....
Cotton spinning	28,770,847	30,313,054	32,666,875	114
Other spinning	(unknown)	5,195,891	7,010,070	....
Raw silk	3,869,877	4,547,215	4,620,788	119
Hemp yarn	(unknown)	3,066,120[a]	1,607,230	....
Silk textiles	245,355	748,079	2,075,844	846
Cotton textiles	2,355,178	3,975,940	1,201,199	51
Hemp textiles	790,000	(unknown)	1,788,400	226
Woolen textiles	814,416	2,367,000	1,926,750	237
Mining and refining	8,585,560	10,020,418	10,933,235	127
Shipbuilding	2,272,866	5,011,600	10,530,100	463
Railway wheel making	(unknown)	(unknown)	1,470,000	...
Electric light works	4,624,097	7,909,018	12,151,561	263
Gas works	(unknown)	2,302,400[a]	5,544,500	...
Printing	690,067	992,061	1,806,814	262
Paper milling	2,872,793	6,265,095	8,729,661	304
Tanning and manufacturing of leather goods	523,250	636,485	1,128,815	216
Nets and rods	668,210	648,410	1,033,500	155
Petroleum boring and refining	9,500,000	14,241,109	4,497,743	47
Cement making	1,330,000	4,078,085	3,767,374	283
Fertilizer manufacturing	(unknown)	660,560	1,850,462	...

[a] As of December 31, 1900.

their several degrees of progress as a result of the general advance in the conditions of society at large after the war.

Let us then note the number of factories in operation, with the number and horse power of machines in use, and we shall see what remarkable progress the totals in the following table indicate.[1]

Now let us compute the number of factory hands. Between 1896 and 1906, this was about 430,000, without any considerable change during these years. About 40 per cent

[1] Cf. detailed figures given on pp. 221 and 222 relative to the ages and summary of factory hands, etc.

FACTORIES IN OPERATION AND HORSEPOWER OF ENGINES

Year	Number of factories	Percentage	Number of engines	Percentage	Horse power	Percentage
1893 . . .	3,019	100.0	2,080	100.0	32,811	100.0
1894 . . .	5,985	198.7	4,020	193.3	41,031	125.1
1895 . . .	7,154	237.0	4,989	239.9	61,252	186.7
1896 . . .	7,640	253.1	5,459	262.5	64,429	196.4
1897 . . .	7,287	241.4	5,880	282.7	63,434	193.3
1898 . . .	7,085	234.7	5,172	248.7	79,016	240.8
1899 . . .	6,699	221.9	4,093	196.8	76,885	234.3
1900 . . .	7,284	241.3	3,977	191.2	95,392	290.7
1901 . . .	7,349	243.4	4,551	218.8	91,585	279.1
1902 . . .	7,821	259.1	4,808	231.2	100,901	307.5
1903 . . .	8,274	274.1	5,226	251.3	102,797	313.3

of these hands were males, and the remaining 60 per cent females. Considered as to age, 90 per cent of the total number were 14 years or older, and the remaining 10 per cent young hands less than 14 years of age. About 93.4 per cent of the total number of male hands, and about 85.6 per cent of the total number of female hands were more than 14 years of age. From these figures, it may be inferred that the number of young hands (those under 14 years of age) was small among male hands, but comparatively large among female hands, as Table I at the end of this chapter[1] indicates.

Of the figures given in the foregoing pages, the most important may be summarized as shown in the table on the next page. As some figures are lacking in the table, we can not make comparison with the time previous to the war. While it is true that during and after the war industrial schemes were started in various parts of the country, yet we must realize that the industrial development attained by the Japanese during those years can not be called remarkable. Except in the production of half-manufactured articles, an industry which had been developing in Japan even before the war, the progress made during this period was only in those branches of industry devoted to the production of articles for home consumption or those necessitated by the improvement in standards of living, but not for export. This may be

[1] *Post*, p. 218.

RATIO OF CAPITAL INVESTED, FACTORIES AND FACTORY HANDS, 1893–1903

Year	Paid-up capital	No. of factories	No. of engines	Horse-power	No. of factory hands		
					Male	Female	Total
1893 ...	(unknown)	100.0	100.0	100.0	(unknown)	(unknown)	(unknown)
1894 ...	(unknown)	198.2	193.3	125.1	(unknown)	(unknown)	(unknown)
1895 ...	(unknown)	237.0	239.9	186.7	(unknown)	(unknown)	(unknown)
1896 ...	100.0	253.0	262.5	196.4	100.0	100.0	100.0
		100.0	100.0	100.0			
1897 ...	117.2	241.4	282.7	190.6	105.5	97.5	100.7
		95.4	107.7	98.5			
1898 ...	135.8	234.7	248.7	240.8	101.7	89.5	94.4
		92.7	94.7	122.6			
1899 ...	164.4	221.9	196.8	234.3	86.6	98.0	93.4
		87.7	75.0	119.3			
1900 ...	176.7	241.3	191.2	290.7	88.7	94.9	92.4
		95.4	72.9	148.1			
1901 ...	185.0	243.4	218.8	279.1	90.6	98.2	95.2
		96.2	83.4	142.1			
1902 ...	192.7	259.1	231.2	307.5	106.3	119.6	114.3
		102.4	88.1	156.6			
1903 ...	189.5	274.1	251.3	313.3	104.4	115.1	110.8
		108.3	95.7	159.6			

seen from the fact that of the total value of exports from Japan to foreign countries in these years, half-manufactured articles were usually 45 or 50 per cent. However, the value of imported half-manufactured articles was between 15 and 20 per cent against about 25 per cent of manufactured articles, while the value of imported manufactured articles was 26 to 30 per cent, although this percentage began gradually falling towards the end of the decade 1893–1903.

In summing up, it may be stated that while we must admit that after the Sino-Japanese War the Japanese were encouraged by the favorable economic condition to start various industrial enterprises, these schemes were on rather a small scale. Then, again, the various industries thus started were all for the purpose of supplying domestic needs, and no development was attained in industries for the production of export articles. Though the glorious victory and the intervention of the Powers hastened the national awakening of the Japanese people to a great extent, yet it was still too early for any elaborate reorganization of the industrial world. The government was too busy with work such as the administration of state finances, the reform of the currency system, adjustment of the money market, preparation of armaments, etc. As to

the people, it was only a short time after the country had been opened to foreign intercourse, and they did not have capital enough to do any work independent of the government. For these reasons, neither the government nor people of Japan could yet lay a firm foundation for the establishment of what may be called an industrial empire in Japan. This they ought to have done as a result of the war, and it is much to be regretted that it was impracticable, because the establishment of an industrial empire is an indispensable requisite in the improvement of international finance. When we consider the elevation in Japan's international position after the war, the maintenance of the gold standard adopted after the war, and the increase in the people's purchasing power which accompanied the importation of the indemnity from China, we regret this the more. Even at the present time (1915), about 20 years after the Sino-Japanese War, we have still failed to establish such an industrial empire, hindered especially by the Russo-Japanese War, and this fact alone tells something of the industrial conditions of Japan in those post-bellum years.

The State of Industrial Capital

The general condition of capital investment in industrial works was briefly set forth in the previous section. We shall now consider the amounts of paid-up capital in the hands of companies engaged in the principal branches of industry. Table II at the end of this chapter[1] gives the figures for the years 1896–1903.

None of these figures suggest large investments certainly. Industries were started during these years either for the purpose of meeting home demands or of laying the foundations for later development, as when Japan might become a leader in the production of articles for export to foreign countries.

The State of Industrial Labor

In the statistics published by the Department of Agriculture and Commerce as to the condition of industrial factory

[1] *Post*, p. 219.

labor in Japan, figures for 1895 and earlier are lacking, so that we have not the materials for a comparison of the conditions of factory labor before and after the Sino-Japanese War. An investigation of the average number of factory hands employed in industrial work, as furnished in the official statistics published since the year 1896, shows us that about 10 per cent of the whole population of the empire was employed in this kind of labor. See Table III at the end of this chapter.[1]

If the factory hands enumerated in Table III are divided into two classes, adult and young, with the age of 14 as the dividing point, we shall find that the adult hands (14 years old or older) are about 90 per cent of the total. See Table IV at the end of this chapter.[2]

The proportion between male and female hands is 40 per cent male and 60 per cent female. Although the number of male hands did not increase much during these years, the number of female hands increased somewhat rapidly. Of the male hands, about 94 per cent were adults, while of the female hands, adults formed about 87 per cent of the whole number. Therefore it may be inferred that young female hands were more numerous than male. See Table V at the end of this chapter.[3]

Percentages as to average daily wage of adult factory hands in the principal branches of industry (such as flour milling, yarn spinning, manufacturing of textile fabrics, knitting, machine making, shipbuilding, furnace working, gas works, paper milling, dyeing, etc.) during this period, as investigated by the Department of Agriculture and Commerce, are given in Table VI at the end of this chapter.[4] Compared with independent workmen such as carpenters, plasterers, etc., the increase in wage appears rather small.

As regards the kinds of independent labor given in the table for reference, further notes will be given in Chapter VIII, pages 278–319.

These facts clearly show us that the condition of factory hands was generally bad compared with that of independent

[1] *Post*, p. 220. [2] *Post*, p. 221. [3] *Post*, p. 222. [4] *Post*, p. 223.

workmen. Let us now compare the price of factory labor with the prices of commodities. See Table VII at the end of this chapter.[1]

As shown by the figures given in Table VII, the prices of commodities rose more rapidly than the wages of factory hands. It is obvious that the rise in the prices of commodities brought about a rise in house rent and other items concerned in the cost of living, and a consequent pressure upon the life of the working class. This wage, low compared with the wage of independent workmen, which rose more rapidly than the prices of commodities, made the position of factory hands very difficult during these years.

Let us now investigate the number of hours these factory hands had to work a day. In those days we had no factory law in operation. Then again, factory owners were not farsighted about the management of their factories, nor did they experience any trouble with their factory hands. It is obvious that the latter were forced to work excessively long hours a day —doubtless as much as 12 or 13 hours, although we have no authentic statistics at hand to prove it. This we may infer, however, from the fact that when a 12-hour day clause was inserted in the factory law which was prepared in quite recent years, objection was raised by many of the authorities best acquainted with the condition of factories in Japan. As it was, the appearance of the factory labor class, which had not existed in old Japan, presented a serious question which the leaders of the country were called upon to investigate from the points of view of social customs, public sanitation and the preservation of the family system in the country. In a word, it may be stated that after the Sino-Japanese War, unusual activity was manifested in industrial circles in Japan, with a consequent heavy demand for factory hands. This demand for factory labor brought about in some degree an increase in the income of the working class. At the same time, however, as there was no factory system established in those days, the appearance of this

[1] *Post*, p. 223.

factory labor class encouraged an undesirable tendency in society, which should be seriously investigated in the interests of public sanitation, health, and morality. In other words, the factory labor class is the most interesting by-production of the industrial developments which followed the Sino-Japanese War. And the appearance of this factory labor class requires the leaders of the country to devise improvements in the factory system and the condition of the people of this class, for the sake of the industrial development of the country as well as public sanitation and the health of the people in general.

TABLE I.—NUMBER OF FACTORY WORKERS

Year	Factory hands over 14			Factory hands under 14			Total			Percentage
	Male	Female	Total	Male	Female	Total	Male	Female	Total	
1896 .	...	...	...	...	...	...	174,656	261,960	436,616	100.0
1897 .	...	...	...	...	...	...	184,244	255,305	439,549	100.7
1898 .	...	...	...	...	...	...	177,632	234,573	412,205	94.4
1899 .	142,682	223,042	365,724	8,584	33,721	42,305	151,266	256,763	408,029	93.4
1900 .	146,720	220,160	366,880	8,137	28,457	36,594	154,857	248,617	403,474	92.4
1901 .	150,309	226,771	377,080	7,906	30,569	38,475	158,215	257,340	415,555	95.2
1902 .	169,816	263,642	433,458	15,806	49,627	65,433	185,622	313,269	498,891	114.3
1903	173,828	269,051	442,879	8,576	32,384	40,960	182,404	301,435	483,839	110.8

TABLE II.—PAID-UP CAPITAL INVESTED IN INDUSTRIES, 1896–1903

Industry	1896	1897	1898	1899	1900	1901	1902	1903
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Sake brewing	2,056,895	3,901,196	5,107,122	6,133,044	5,484,699	4,364,337	4,245,612	3,748,253
Soy and bean paste manufacturing	325,392	536,962	811,671	928,460	1,267,778	1,277,334	1,481,786	1,943,796
Sugar refining	1,474,106	1,667,570	2,075,672	2,419,968	2,591,000	2,648,500	2,737,000	2,710,300
Grain refining	344,668	645,759	1,014,652	1,255,978	1,549,245	1,534,689	1,763,034	1,498,426
Tobacco manufacturing	1,113,099	3,196,361	932,724	11,320,965	11,351,673	11,245,063	13,271,002	13,385,933
Cotton spinning	28,770,847	34,106,083	32,384,413	30,313,054	35,283,681	36,108,983	35,367,058	32,666,875
Other spinning	....	....	4,175,459	5,195,891	5,059,215	6,302,837	7,834,846	7,010,070
Raw silk	3,869,877	3,292,877	3,990,850	4,547,215	4,691,086	5,635,320	4,787,920	4,620,788
Manufacturing of various kinds of textiles	....	....	1,989,569	2,033,112	2,047,560	2,187,323	703,150	454,950
Cotton textiles	2,355,178	2,400,466	2,189,769	3,975,940	2,074,272	3,469,003	1,364,391	1,201,199
Woolen textiles	814,416	1,399,295	2,422,489	2,367,000	2,608,800	1,963,000	2,547,832	1,926,750
Mining and refining	8,585,560	5,060,637	10,067,500	10,020,418	10,244,350	9,655,412	6,830,100	10,933,235
Shipbuilding	2,272,866	3,205,783	5,297,416	5,011,600	7,940,767	8,710,032	10,653,210	10,530,100
Electric light works	4,624,097	5,610,714	6,487,576	7,909,018	8,077,100	9,746,432	10,347,490	12,151,561
Gas works	....	....	....	....	2,303,400	2,131,500	4,916,795	5,544,500
Printing	690,067	846,588	1,032,828	992,061	1,550,448	1,678,264	1,851,712	1,806,814
Paper milling	2,872,793	4,685,025	6,640,405	6,265,095	7,134,823	7,688,286	10,274,633	8,729,661
Petroleum boring and refining	1,754,369	2,281,432	2,575,444	2,885,282	6,358,843	6,285,581	7,099,991	7,610,060
Coal	48,450	120,752	166,307	143,675	237,775	262,456	206,082	251,518
Tile and brick manufacturing	1,056,134	2,136,223	2,260,498	2,166,482	2,110,483	2,216,741	2,169,675	1,813,431
Cement making	1,330,000	2,704,800	3,733,221	4,078,085	4,501,991	4,221,106	3,993,500	3,767,374
Fertilizer manufacturing	....	....	660,337	660,560	957,130	981,690	1,682,702	1,850,462

TABLE III.—NUMBER OF MALE AND FEMALE FACTORY WORKERS COMPARED WITH TOTAL POPULATION

Year	Males		Females		Total		Increasing ratio of factory hands
	Number of laborers	Total number in country	Number of laborers	Total number in country	Factory hands	Population[a]	
1896	174,656	21,823,651	261,960	21,405,212	436,616	43,228,863	100.0
1897	184,244	22,074,242	255,305	21,689,613	439,549	43,763,855	101.1
1898	177,632	22,334,908	234,573	21,935,598	412,205	44,270,495	102.4
1899	151,266	22,617,853	256,763	22,207,763	408,029	44,825,597	103.7
1900	154,857	22,937,995	248,617	22,508,402	403,474	45,446,369	105.1
1901	158,215	23,243,675	257,340	22,798,127	415,555	46,041,768	106.5
1902	185,622	23,601,640	313,269	23,131,236	498,891	46,732,876	108.1
1903	182,404	23,836,409	301,435	23,383,162	483,839	47,219,566	109.2

[a] The figures for the whole population given in the table for each year were as standing on the first of January following the year for which they were given. The figures for the whole population given for some years differ from the totals of males and females given for the same years put together. This is because those whose sex was not distinguished were counted in the total, or whole population only.

TABLE IV.—PERCENTAGE OF ADULT AND MINOR FACTORY HANDS TO TOTAL NUMBER

Year	Factory hands 14 years or older			Factory hands under 14 years			Percentage compared with total	
	Male	Female	Total	Male	Female	Total	Adult hands	Young hands
1896	(Unknown)	(Unknown)	(Unknown)	(Unknown)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
1897	"	"	"	"	"	"	"	"
1898	"	"	"	"	"	"	"	"
1899	142,682	223,042	365,724	8,584	33,721	42,305	89.6	10 4
1900	146,720	220,160	366,880	8,137	28,457	36,594	90.9	8.1
1901	150,309	226,771	377,080	7,906	30,569	38,475	90.7	9 3
1902	169,816	263,642	433,458	15,806	49,627	65,433	86.9	13.1
1903	173,828	269,051	442,879	8,576	32,384	40,960	91.5	8 5

TABLE V.—COMPARISON OF NUMBER OF ADULT MALE AND FEMALE FACTORY HANDS

Year	Proportion of male and female workers		Proportion of adult workers		Relative increase		
	Male	Female	Male	Female	Male	Female	Total
	Per cent	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
1896.....	40.0	60.0	(Unknown	(Unknown)	100.0	100.0	100.0
1897.....	41.9	58.1	"	"	105.5	97.5	100.7
1898.....	43.1	56.9	"	"	101.7	89.5	94.4
1899.....	37.1	62.9	94.3	86.9	86.6	98.0	93.4
1900.....	38.4	61.6	94.7	88.6	88.7	94.9	92.4
1901.....	38.1	61.9	95.0	88.1	90.6	98.2	95.2
1902.....	37.2	62.8	91.5	84.2	106.3	119.6	114.3
1903.....	37.7	62.3	95.3	89.3	104.4	115.1	110.8

TABLE VI.—AVERAGE DAILY WAGES OF FACTORY WORKERS COMPARED WITH WAGES OF INDEPENDENT WORKMEN

Year	Daily wage of factory hands[a]		Daily wage of 43 kinds of independent workmen in Tokyo[b]	Daily wage of 21 kinds of independent workmen in Osaka[c]	Daily wage of 24 kinds of independent workmen[d]	Average
	Male	Female				
1899	100.0	100.0	100.0	100.0	100.0	100.0
1900	105.9	104.4	113.1	108.4	104.8	108.8
1901	105.3	107.2	114.8	105.8	109.6	110.1
1902	106.7	103.8	115.4	107.6	107.9	110.3
1903	106.2	105.4	115.2	117.4	108.1	113.6

[a] Investigation by Department of Agriculture and Commerce.
[b] Investigation by Financial Department.
[c] Investigation of Finance Bureau of Department of Finance.
[d] Investigation of Bank of Japan.

TABLE VII.—WAGES OF FACTORY WORKERS COMPARED WITH PRICES OF COMMODITIES

Year	Wages			Prices of commodities				Average wage of independent workers
	Male	Female	Average	In Tokyo	In Osaka	40 kinds of commodities in Tokyo	Average index-numbers in three groups as given above	
1899	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1900	105.9	104.4	105.2	109.6	111.3	107.0	109.3	108.8
1901	105.3	107.2	106.3	101.6	111.1	102.1	104.9	110.1
1902	106.7	103.8	105.3	99.5	110.8	99.8	103.4	110.3
1903	106.2	105.4	105.8	101.9	116.5	107.0	108.5	113.6

CHAPTER V

EFFECTS ON COMMERCE

The ill effects that the commerce and trade of Japan in general suffered from the Sino-Japanese War were comparatively small. Although the interruption in transportation by land and water caused by the transporting of troops and civilians in connection with the war (amounting to 300,000) interfered with the supply of necessary merchandise for a short time, resulting in a subsequent rise in prices, yet these difficulties were soon removed; especially as the government paid careful attention to the money market and as conditions were favorable to Japan all through the war, the Japanese Navy having complete control over the China Sea. For these reasons Japan's trade with America and Europe was rather more prosperous than before and trade with China and Korea did not suffer much. In order to show the state of commerce and trade in general during the war, we shall now call attention to the table on the following page which gives the amount of negotiable paper handled, the notes cleared, and the present general condition of the country's foreign trade during these years.

As we see from the figures, neither the volume of commerce at home nor that of foreign trade decreased; indeed there was more or less increase in each case.

While it is true, as just stated, that during the war no adverse effects were suffered by trade in general, yet after the war important effects were more apparent. The minds of the Japanese people in general were decidedly stimulated, for as the fruits of the war Japan obtained an indemnity of 200 million *taels* in Chinese Kuping silver, and the concession of the Island of Formosa. Enthusiasm for business enterprises speedily developed among the people, and this, coupled with the government's post-bellum program, created unusual activ-

NEGOTIABLE PAPER AND FOREIGN TRADE DURING WAR PERIOD

	1893	1894	1895
Notes handled by Tokyo associated banks:			
Receipts	*Yen* 71,234,966	*Yen* 85,203,203	*Yen* 98,809,120
Expenditures	100,467,393	103,144,795	137,943,935
Notes handled by Osaka associated banks:			
Receipts	44,033,992	46,981,007	64,438,604
Expenditures	66,320,081	82,863,147	102,981,074
Negotiable paper handled by Tokyo Clearing House:			
Amount presented	188,591,742	227,767,017	356,841,068
Amount cleared	148,018,870[a]	185,597,502[b]	289,102,425[c]
Negotiable paper handled by Osaka Clearing House:	63,600,661	67,543,806	79,654,118
Foreign Trade:			
China and Korea:			
Exports	9,015,663	11,179,099	12,966,586
Imports	19,095,414	19,694,820	25,910,544
Europe and America:			
Exports	57,933,054	76,825,062	94,327,590
Imports	46,482,956	67,608,724	75,543,047
Total	177,970,038	220,728,042	265,372,754

[a] 78.5 per cent of amount presented. [b] 81.5 per cent of amount presented.
[c] 81.1 per cent of amount presented.

ity in business. In addition to the importation of cash with such great purchasing power as the indemnity from China, there was a large inflow of foreign capital as a result of the adoption of the gold standard for the country's currency system. Various kinds of enterprises were therefore started in all parts of the country and carried on by means of the financial facilities afforded by a special form of bank, the immovable property banks, which the government instituted after the war. These all overcame the various difficulties that beset the money market after the war, and, without occasioning any serious hindrance to commerce in general, brought about an entire change in the conditions of commerce and trade from those obtaining before the war.

Table I at the end of this chapter[1] is illuminating in this connection.

These statistics do not cover all of the items concerned, yet give some idea of the general conditions of commerce and trade after the Sino-Japanese War.

Let us now investigate the subject of capital employed by the companies engaged in commerce and trade since 1896. The percentage of increase in the paid-up capital of these companies was far greater than that in the capital of companies engaged in such business as agriculture, industry and transportation by land and water. And of the various branches of commerce and trade the most highly developed during these years were money lending, warehousing, insurance, sugar, fishery and marine products, raw cotton, cotton yarn, raw silk, textile fabrics, publication and sale of books and newspapers, etc., timber and lumber trading, sale and purchase of immovables, and banking. Each of these branches of commerce made progress in consequence of the general development of the country which followed the war. Let us first examine the outstanding facts as to the capital invested in commerce during this period, as given in Table II at the end of this chapter.[2]

While the figures just given represent only a portion of the commercial agencies in existence, yet from these figures we may judge the general condition of commerce during these years. To explain this unusually rapid development, we may mention (1) the starting of various sorts of enterprises by the government as well as private individuals after the war, (2) the increase in the purchasing power of the people, especially the lower classes, resulting from the monetary gifts and other payments made them for their services in the war, and also from the greater demand for labor of this period. This increase in the people's purchasing power naturally brought about a rise in the prices of commodities, and an excess of imports over exports in the country's foreign trade. In the following pages we shall further examine the effects of the

[1] *Post*, p. 239. [2] *Post*, p. 240.

war upon the domestic commerce and foreign trade of the country.

Domestic Commerce

Domestic commerce in general

That during and after the Sino-Japanese War domestic commerce in Japan did not suffer seriously in any way, but rather attained to a more healthy development, was briefly stated in the foregoing section. Let us now consider the same subject in a little more detail and from various points of view.

Let us, first of all, note the condition of the money market, as presented in Table III at the end of this chapter.[1] The figures show us that as soon as business began to recover from the effects of the war, the supply of capital in the market became liberal, which fact indicates the general condition of commerce during these years. Next let us investigate the buying and selling of merchandise, which always promptly reflects commercial conditions. Below are given statistics as to the volume of goods carried by railways, although the goods carried were not for domestic commerce only.

Volume of Goods Transported by Railways[a]

Year	State railways	Private railways	Total	
			Tonnage	Percentage of increase
	Tons	*Tons*	*Tons*	
1893.....	1,076,689	2,414,394	3,491,083	100.0
1894.....	1,018,298	3,265,404	4,283,702	122.7
1895.....	1,100,059	4,231,353	5,331,412	152.7
1896.....	1,266,119	5,579,112	6,845,231	196.1
1897.....	1,558,194	7,070,315	8,628,509	247.2
1898.....	1,793,896	8,122,230	9,916,126	284.0
1899.....	2,391,471	9,428,563	11,820,034	338.6
1900.....	2,806,560	11,594,960	14,401,520	412.5
1901.....	2,659,602	11,750,150	14,409,752	412.8
1902.....	3,183,720	12,938,951	16,122,671	461.8
1903.....	3,492,622	14,268,690	17,761,312	508.8
Total....	22,347,230	90,664,122	113,011,352	

[a] Prepared and published by Imperial Government Railways.

[1] *Post*, p. 241.

Again let us investigate those branches of business upon which a tax was levied in accordance with the Business Tax Law[1] promulgated in March, 1896, and enforced on January 1 of the following year. Since this law has been in force only from 1897, we have no authentic materials for comparison with conditions prior to that year, especially from 1893 to 1896, yet the statistics given below doubtless furnish materials from which we may ascertain the true condition of commerce during these years. The business tax of the law referred to was imposed upon 24 different forms of business, but we shall confine ourselves to the sale of commodities. The standards for rating the tax were three, viz., (a) the total value of the merchandise sold during the previous year, (b) the average rent of buildings in the previous year and (c) the maximum number of employes engaged in the business in the year previous. The figures are shown in Table IV at the end of this chapter.[2]

According to the law referred to, the business tax was imposed upon such persons, engaged in business, as sold merchandise to the value of 1,000 *yen* or more a year. Although the law states that the tax was to be levied in accordance with said triple standards, in reality it was not, because of the many difficulties attending the application of such a law. The figures prepared by the tax collectors and given in the preceding table do not of course indicate the total amount of the commercial transactions of the country during this period, yet assuredly they do give some idea of the general commercial conditions of the time.

From these it may be inferred that the development of Japanese commerce during said years was comparatively great. Of course it must be remembered that the said business tax was first levied after the war, when the country's commerce had attained considerable progress. While we regret that we have no authentic written materials from which to ascertain the state of commerce previous to the war, especially during the years from 1893–1896, and also that we can not give here

[1] Law No. 33. [2] *Post*, p. 242.

the exact commercial development that Japan made since that time, yet considering the economic development effected both before and after the war, it is reasonable to infer that during the same period the country made considerable progress in commerce, too.

Table V at the end of this chapter[1] will show the state of capital of the various kinds of important commercial companies.

From the data given above it may be concluded that during and after the Sino-Japanese War, Japanese commerce did not suffer any reverses, but even made some progress.

Trade between Japan proper and the colonies

The colonial history of Japan began with the acquisition of Formosa and the Pescadores, which were ceded to her by China as a result of the Sino-Japanese War. The area of the new possessions is 2,324.11 square miles for Formosa, and 7.99 square miles for the Pescadores, making a total of 2,332.[1] square miles (391.5 square *ri*) or about 9.4 per cent of the total area of the Empire before the acquisition of these possessions—24,794.36 square *ri*. These islands extend from the tropical to the sub-tropical zone, and abound in valuable resources, especially in those products in which Japan proper is wanting, and thus their effect upon the market in Japan is favorable in many respects. Let us examine the statistics relating to the trade between Japan proper and Formosa since the acquisition of the latter island, as given in the table on the following page.

Of all the favorable effects that the possession of the island of Formosa has had on domestic commerce in Japan proper, the most striking has come from her production of sugar. Before our acquisition of Formosa, we had to import most of the sugar consumed in our land from foreign countries, but since we acquired Formosa, there had been a gradual change, and now Formosa not only supplies all the sugar consumed in Japan, but even exports the excess of her production to foreign

[1] *Post*, p. 243.

markets. The sugar industry in Formosa will be treated in detail in the following section.

TRADE BETWEEN JAPAN AND FORMOSA, 1897–1903

Year	Exports from Japan proper to Formosa		Imports into Japan proper from Formosa		Excess of exports over imports
	Value	Percentage of increase	Value	Percentage of increase	
	Yen		*Yen*		*Yen*
1897....	3,723,721	100.0	2,014,648	100.0	1,619,074
1898....	4,266,768	114.6	4,142,778	205.6	123,990
1899....	8,011,826	215.1	3,650,475	181.2	4,361,351
1900....	8,439,033	226.6	4,402,110	218.5	4,036,923
1901....	8,782,258	235.8	7,345,956	364.6	1,436,302
1902....	9,235,290	248.0	7,407,498	367.6	1,827,792
1903....	11,194,788	300.6	9,729,460	482.8	1,465,328

FOREIGN TRADE

General condition of foreign trade

As mentioned heretofore, the Sino-Japanese War, in which Japan won a great victory over China, awakened the Japanese people to a realization of the striking progress which they had achieved since the time of the Restoration (1868). The Japanese so awakened strove for further progress after the war, and naturally, unusual activity in the economic world followed. In consequence, the foreign trade of Japan, of which we propose to treat in the present section, could not but feel the effect of this general tendency. Before the Sino-Japanese War, foreign trade was quite insignificant, but after the war, striking progress was made in the volume of merchandise, scope of the market, and total value of exports and imports. The statistics given below show the average annual value of exports and imports for every five years since the first year of Meiji (1868). A glance at these shows us that during the period from 1868 to 1893, or just before the outbreak of the war, the largest annual figure for exports and imports attained was 80 million *yen* while in most of the years of the period it was 20 or 30 million *yen*, which means 30 or 40

per cent of the value of the trade in the year 1893. In none of the years of this period did the value of exports and imports exceed 100 million *yen*, but after the year 1894 it exceeded 100 million *yen* and in 1897 it reached 200 million *yen*, creating a record in the trade history of Japan. See Table VI at the end of this chapter.[1]

As the figures in Table VI show, our foreign trade made unusual progress after the Sino-Japanese War, but that progress can not be regarded as accidental. It was a natural outcome of the steady economic development which had been in progress since some time before the war, a result of the development of the latent power of the nation. The statistics in Table VII at the end of this chapter[2] show the state of our foreign trade for a period of ten years, beginning before and continuing after the war.

While, it may not be correct to say that increase in our foreign trade after the Sino-Japanese War was entirely brought about by the war, nevertheless, there can be no doubt that the war marked a stage of great development in the economic world, then just ready for such development, and that this development brought about progress in the foreign trade of the country.

Let us now consider the state of our foreign trade in the ten years following the war. During that period both exports and imports increased about equally, as the figures in Table VIII at the end of this chapter[3] show; the value of exports was doubled in 1898, and trebled in 1902, while the import trade advanced even faster, being doubled and trebled a year or two earlier than the export trade.

Thus our foreign trade, as indicated by value of exports and imports, advanced greatly year by year, especially after the war. And this progress was largely due to the increase in the national strength discernible during, and particularly after, the war. Thus among the numerous causes which brought about the advance in foreign trade, we may mention (1) commercial activity, arising from the starting of various

[1] *Post*, p. 244. [2] *Post*, p. 245. [3] *Post*, p. 246.

kinds of enterprises and development in systems of transportation on both land and water; (2) the importation of the indemnity from China; (3) the opening to trade of such ports in China as Shashih, Chungking, Hangchow, and Soochow, in addition to those already opened as a result of a Sino-Japanese peace treaty; (4) increased demand for arms and other munitions during and after the war[1]; (5) the Japanese acquisition of commercial supremacy in Korea; (6) increase in the income of the people, especially those belonging to the lower classes; (7) the reform in the currency system, which removed anxiety caused by frequent fluctuations in the exchange rate, and favorably affected trade; (8) the abolition of the export duty, which helped to extend the market for Japanese goods; and (9) the revision of commercial treaties with other countries, so long desired by the Japanese Government and people, which laid a firm foundation for the future commercial development of Japan.

About the time of the Sino-Japanese War, the standard of our currency system, as a matter of fact, was silver, and we suffered considerably from its steady depreciation. Since 1873 (6th year of Meiji) the Powers one after another adopted the gold standard for their currency system, putting a limitation on the making of silver coins, and the price of silver gradually fell. In the United States attempts were made to secure a rise in the price of silver by the Brand Silver Purchase Regulations, 1878, and the Sherman Silver Purchase Extension Regulations, 1890; but the general world tendency was against silver, and the United States Government abolished the said silver purchase regulations in 1893. India, too, stopped the unlimited coinage of silver. Consequently the price of silver quickly fell, and while before 1872 it was generally quoted at 60 d., i.e., the ratio of the value of gold to that of silver was 1 to $15\frac{1}{2}$, it fell to $35\frac{9}{16}$ d. or 1 to $26\frac{1}{2}$ in 1893. As silver was practically the standard for the Japanese currency system, the fall in the prices of silver placed Japan in a comparatively favorable position in her trade relations. For

[1] Were needed after the war for the replenishment of arsenals, etc.

the fall of silver meant a fall in its price as compared with that of gold, and thus Japanese coins became cheaper than those of countries where gold was the standard. Now China with other Oriental countries, which are the principal markets for Japanese goods, adopted the silver standard, and thus Japanese coins, in competition with the coins of European and American countries with the gold standard system, won in these Oriental markets, and thus in the point of export business in the Orient Japan was in a better position than any of the countries with the gold standard. Now the excess of exports over imports in Japan's foreign trade during the period from 1882–1889 was due to the said condition of Japan's trade with these Oriental countries. On the other hand, however, frequent fluctuations in the price of silver brought about similar fluctuations in quotations on exchange rates, and caused great anxiety to traders, for in the home market any fall in the value of coins[1] means a rise in the prices of commodities. Besides, increase in the volume of currency in circulation after the war brought about a further rise in the prices of commodities. This created a situation beneficial to import trade. Despite the benefit which the fall in the price of silver gave to Japan in her trade with Oriental countries, it was not easy to decide whether the silver standard was advisable for the country after all. Finally, the government, disregarding the immediate minor losses which it might incur, adopted the gold standard on October 1, 1897. And this reform to no small extent laid the foundation for the healthy progress which the foreign trade of Japan has made ever since.

Something must be said here about the revision of the rate of import duty and the abolition of the export duty. Formerly the tariff rates originated in Japan's treaties with different countries. Her first tariff rates were concluded with five countries, viz., England, the United States, France, Russia and the Netherlands in 1858 (5th year of Ansei), and revised in 1866 (2d year of Keiwo). According to the treaties

[1] A fall in the price of silver, when this is the material for the unit coin, is always accompanied by a similar fall in the unit of value.

concluded in 1858, the export duty was 5 per cent *ad valorem*, and the import duty was from 35 per cent (maximum) to 5 per cent (minimum). In case it was not mentioned specially in treaties, it was decided at 20 per cent. But after the revision of 1866, both export and import duties were each 5 per cent *ad valorem*. The import duty was imposed in accordance with the prices of the articles to be taxed, at the port where they were shipped. Now in those days the Japanese were not very familiar with the prices of foreign articles, so the prices upon which the import duty was imposed at Japanese ports were in reality far from the real prices of these articles at the port whence they were shipped. So, although the import duty was fixed by treaty at 5 per cent *ad valorem*, in reality it was in most cases less than 1 per cent *ad valorem*. During the period from 1889 to 1899 the average rate of import duty imposed was only 3.985 per cent. On the other hand, articles exported from Japan in those days were not as a rule special products of the country, so that there was no way of shifting the export duty, and the imposition was entirely confined to the Japanese exporters. Thus before the revision of 1899, the Japanese tariff always benefited foreign traders, but was a bar to export trade from Japan. So revision was carried out, and the revised tariff law[1] was promulgated in 1897 and enforced on January 1, 1899. The rates of duty upon taxable imported articles were fixed in the revised law at from 5 per cent (minimum) to 40 per cent (maximum). Applying these rates to the articles imported during the year 1895, you will see that the rate of import duty thus realized would be on the average 12.35 per cent. Apply again the conventional tariff rates in the revised law to those articles signified in the treaties between Japan and England or Germany for the conventional rates, and you will get an average rate of 10.052 per cent for the same year. Compared with the average rate of 3.98 per cent of import duty previous to the revision, these new rates are far higher. Then, on the other hand, the export duty was entirely abolished on July 17, 1899, and the articles

[1] Law No. 14.

exported from Japan were freed from the imposition of a duty of 3.574 per cent, as the average export duty was during the period from 1889 to 1899. This greatly helped the development of home industries, on the one hand, and, on the other, served to extend our foreign trade. The fact that our foreign trade has made remarkable progress since about 1899 was largely due to the revision of these import and export rates.

Just here we must say a few words about the successive excesses of imports over exports in our trade after the Sino-Japanese War. A glance at the state of our foreign trade since 1893, just before the war, shows that, except 1894 and 1895, each year has so far always seen an excess of imports over exports. This excess indeed reached 83 million *yen* in 1890, which was about 40 per cent of the total value of exports.[1]

A glance at the state of our foreign trade from the first year of the Meiji Era shows us that up to 1881 imports always exceeded exports, but in 1882 the condition suddenly changed and exports exceeded imports, and this state continued till 1893. Then, however, imports again exceeded exports. To explain this balance, which has long been in favor of imports as against exports, numerous reasons may be given. But first of all it may be stated that the inconvertible notes which were in circulation in Japan in the early part of the Meiji Era began to be adjusted in 1881; in 1886 the government established the convertible note system, and the prices of commodities were then brought to a normal state in consequence. Before the revision of the currency system, the standard for Japanese currency was silver, so that any fall in the price of silver in those days no doubt benefited exports rather than imports in Japan. But after the war the government revised the currency system, adopting in 1897 the gold standard. Thus she lost the benefit that she had been

[1] In 1898 the excess of imports over exports reached about 112 million *yen*, but this must be regarded as an exception, for a large amount of anticipated import orders was received in that year, in view of the enforcement of the revised tariff law in the following year.

obtaining from the silver standard, i.e., her advantage over gold-standard countries in export trade. Besides, she also incurred losses and inconvenience in the silver-standard countries as well. Then the volume of currency in circulation, which was swelling even at the time of the war, did not decrease, but rather increased after the war, because of business activity resulting from the various enterprises started by both government and people. This increase in the volume of currency in circulation caused a considerable rise in the prices of commodities. Then the receipt of the war indemnity from China, the importation of foreign capital, and the increased demands for foreign-made articles, as a result of the advance in the people's style of living, brought a large amount of foreign capital into Japan at a time when the country's power of manufacturing export articles did not greatly increase. Moreover, with the various kinds of enterprises started both by the government and the people after the war, the country, which had been exporting mainly raw materials, was now about to become an industrial power. These various reasons taken together were responsible for the continuous excess of imports over exports, which was still a feature of our foreign trade in 1915, when this book was prepared.

Having given, as we believe, a true though brief summary of the condition of our foreign trade after the Sino-Japanese War, we shall now briefly investigate in the following pages the facts as to articles either exported from or imported into Japan in these post-bellum years.

Commodities exported and imported

As already briefly stated, during the Sino-Japanese War our foreign trade did not suffer seriously from the war, but rather made healthy progress, as the total value of exports and imports increased. Not only did the commercial policy of the government not interfere during the war with general trade but in fact it brought about some development in our trade with China and Korea, even while the war was in progress, as the following statistics show:

TRADE WITH CHINA AND KOREA, 1893–1895

Exports

Year	China			Korea		
	Value	Percentage	Ratio to the total	Value	Percentage	Ratio to the total
	Yen			*Yen*		
1893.....	7,714,000	100.0	8.6	1,301,000	100.0	1.1
1894.....	8,814,000	114.3	7.8	2,365,000	181.8	2.1
1895.....	9,135,000	118.4	6.7	3,831,000	248.5	2.8
Imports						
1893.....	17,096,000	100.0	19.4	1,999,000	100.0	2.3
1894.....	17,512,000	102.4	14.9	2,183,000	109.7	1.9
1895.....	22,985,000	134.4	17.8	2,925,000	146.3	2.3

Consequently, Japanese exports to these countries were all in a favorable state, the principal of these exports being matches, cotton yarn and cotton manufactures.

Scarcely less favorable was the state of our trade with Europe and America. With development in our home industries and a better understanding of the conditions in Japan compared with those in European and American countries, the volume of our exports to these countries increased. On the other hand, progress in our home industries and advance in the standard of our civilization increased the demands in Japan for foreign-made articles, and our import trade also became very active in consequence.

The statistics for sundry exports and imports, whose value reached about 3 million *yen* each at the end of 1893, are set out in Tables IX, X, and XI at the end of this chapter.[1]

As these tables show, the principal exports during these years were raw silk, tea, copper, coal, matches and cotton yarn, while the principal imports were raw cotton, rice, flour, kerosene oil, iron, sugar and woolen manufactures. In

[1] *Post*, pp. 247–253.

a word, it may be stated that the Japanese were buying foreign-made articles for their own consumption by selling abroad raw materials or half-manufactured articles, but neither case includes these passing articles of trade.

TABLE I.—NEGOTIABLE PAPER AND FOREIGN TRADE BEFORE AND AFTER THE WAR

	1893	1895	1897	1903
	Yen	*Yen*	*Yen*	*Yen*
Value of bills cleared at Tokyo Clearing House	148,018,870	289,102,425[a]	522,890,211[b]	1,562,636,953[c]
Value of bills cleared at Osaka Clearing House	63,600,661	79,654,118[d]	160,967,475[e]	821,287,076[f]
Currency in circulation at home at close of year:				
Hard money	50,672,072	69,737,986	91,765,257	98,231,864
Government paper money	16,407,000	11,129,224	7,451,098	....
National bank notes	22,756,119	20,796,786	5,024,729	....
Convertible notes of Bank of Japan	148,663,128	180,336,815	226,229,058	232,920,563
Total	238,498,319	282,000,811	330,070,142	331,152,427
Paid-up capital employed in ordinary banking business	30,583,704	49,807,149	147,812,199	253,003,792
Loans to public (Kashidashi kin) at close of year:				
By Bank of Japan, domestic and foreign	24,563,816	34,690,723	56,497,428	39,036,778
By Tokyo associated banks	11,050,316	17,059,175	26,020,426	96,619,712
By Osaka associated banks	12,974,837	17,562,616	31,493,175	67,496,981
Total	48,588,969	69,312,514	114,011,029	203,153,471
Foreign Trade of Japan proper:				
Exports	89,712,866	36,112,176	163,135,078	289,502,442
Imports	88,257,172	129,260,578	219,300,771	317,135,517
Total	177,970,038	265,372,754	382,435,849	606,637,959

[a] 194.9 per cent of value cleared in 1893.
[b] 373.5 per cent of value cleared in 1893.
[c] 1,055.7 per cent of value cleared in 1893.
[d] 125.2 per cent of value cleared in 1893.
[e] 253.1 per cent of value cleared in 1893.
[f] 1,291.3 per cent of value cleared in 1893.

TABLE II.—CAPITAL INVESTED IN COMMERCE, 1896–1903

Year	Number of companies	Authorized capital	Paid-up capital		Percentages of paid-up capital of companies engaged in various forms of business				Reserve fund
			Amount	Percentage	Agricultural companies	Industrial companies	Communication (transportation) companies	Total[a]	
		Yen	*Yen*						*Yen*
1896.....	2,777	301,713,992	192,735,712	100.0	100.0	100.0	100.0	100.0	61,371,734
1897.....	3,630	417,279,266	260,227,479	135.0	134.5	117.2	145.5	134.0	48,285,436
1898.....	4,178	470,473,449	300,039,664	155.7	141.0	135.8	174.2	156.7	48,543,819
1899.....	4,619	532,378,431	335,586,700	174.1	139.0	164.4	175.0	172.0	64,598,303
1900.....	5,197	600,788,949	389,051,555	201.9	152.8	176.7	202.0	196.0	68,672,778
1901.....	5,323	621,350,294	417,292,333	216.5	159.7	185.0	214.8	208.7	75,472,190
1902.....	5,325	639,419,509	440,303,057	228.4	154.0	192.7	232.0	221.1	109,591,328
1903.....	5,855	650,833,007	451,680,028	234.4	192.9	189.5	231.7	223.3	110,872,204

[a] Percentage of the total of the paid-up capital of the four kinds of companies, viz., agricultural, industrial, commercial and transportation.

TABLE III.—CONDITION OF MONEY MARKET, 1893–1903

Year	Commercial paper discounted			Aggregate of notes cleared	
	By Bank of Japan	By associated banks of Tokyo	By associated banks of Osaka	At Tokyo Clearing House	At Osaka Clearing House
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1893	34,624,243	11,050,316	12,974,837	148,018,870	63,600,661
1894	36,601,797	10,914,716	10,937,303	185,597,502	67,543,806
1895	66,878,141	17,059,175	17,562,616	289,102,425	79,654,118
1896	93,639,625	17,405,392	17,145,161	417,425,508	138,409,334
1897	104,973,122	26,020,426	31,493,175	552,890,211	160,967,475
1898	84,375,650	33,248,378	36,235,337	790,247,456	225,940,577
1899	121,097,798	68,100,878	64,548,704	1,095,805,416	376,853,276
1900	109,051,598	84,657,098	69,319,100	1,405,449,663	523,552,744
1901	53,677,312	76,744,141	55,794,678	1,168,702,078	528,122,083
1902	55,344,941	89,452,411	70,115,234	1,350,791,066	663,659,705
1903	51,461,038	96,619,712	67,496,981	1,562,636,953	821,287,076
Total	811,725,265	531,272,643	453,623,126	8,966,667,148	3,649,590,855

TABLE IV.—VALUES OF MERCHANDISE SOLD, RENTS AND EMPLOYES

Year	Total value of merchandise sold				Average rent of buildings		Number of employes
	Wholesale		Retail				
	Value	Percentage of increase	Value	Percentage of increase	Value	Percentage of increase	
	Yen		*Yen*		*Yen*		
1898	1,099,837,192	100.0	505,163,769	100.0	19,990,989	100.0	589,714
1899	1,036,418,425	94.2	482,457,550	95.5	20,004,286	100.1	565,338
1900	1,206,771,599	109.7	506,539,301	100.3	22,007,581	110.1	589,265
1901	1,221,431,393	111.1	526,381,185	104.2	23,967,873	119.9	609,438
1902	1,144,386,919	104.1	519,553,167	102.8	24,863,541	124.4	612,912
1903	1,183,722,280	107.6	535,140,125	105.9	26,791,351	134.0	629,914

TABLE V.—CAPITAL INVESTMENT IN COMMERCIAL COMPANIES

	1896	1897	1898	1899	1900	1901	1902	1903	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Grain	977,255	5,040,456	5,583,203	5,853,816	5,508,543	4,706,281	6,252,896	6,527,166	40,449,616
Sugar	288,600	543,120	675,646	1,268,984	561,811	316,270	1,154,606	1,096,722	5,905,759
Fishery and marine products	307,235	395,295	889,295	599,747	747,941	939,105	1,167,281	1,342,494	6,388,393
Raw cotton } Cotton yarn }	1,420,191	2,739,690	1,263,520	1,836,520	1,697,500	1,895,925	2,391,000	3,158,800	18,242,489
Cocoon and raw silk	642,295	1,241,116	1,274,234	1,910,396	638,010	197,265	599,159	404,909	
Various kinds of textile fabrics	1,476,355	3,271,887	3,594,480	4,241,981	2,361,928	2,613,238	2,738,929	3,575,845	16,357,981
Publication of books, etc.	425,000	609,625	634,726	657,819	4,836,034	5,318,585	4,546,646	6,645,437	33,931,405
Publication and sale of newspapers	530,770	581,588	733,987	632,095	857,688	2,142,830	3,080,417	2,626,328	11,040,433
Trading	2,157,250	2,040,650	1,948,355	1,795,689	794,274	903,214	1,009,534	1,013,634	6,199,096
Emigration	....	....	....	276,750	4,571,928	2,850,654	4,376,804	4,537,367	24,278,697
Merchandising of products	....	....	....	....	294,550	294,650	373,880	1,922,460	3,162,290
Stocks and bonds	7,077,650	2,485,000	2,282,100	1,174,567	1,980,405	1,892,883	1,925,926	2,648,381	9,622,162
Dealing in immovables	1,427,059	1,539,074	1,080,906	2,276,580	2,335,210	2,478,000	2,463,040	2,368,000	23,766,180
Warehousing	1,630,270	4,008,081	3,945,185	1,818,407	3,371,384	4,547,494	2,333,389	4,857,827	20,975,540
Banking and money lending	146,008,482	203,574,233	243,882,672	4,707,147	6,704,813	5,818,827	4,795,557	6,340,567	37,950,447
Timber and lumber	414,004	1,037,281	2,274,350	275,431,632	320,540,855	349,357,710	363,531,069	364,705,792	2,267,032,445
				1,159,155	1,252,995	1,406,868	1,166,207	1,624,049	10,334,909
Total	164,782,416	229,107,096	270,062,659	305,641,285	359,055,869	387,679,799	403,912,940	415,395,778	2,535,637,842

TABLE VI.—FOREIGN TRADE, 1868–1903

Year	Exports		Imports		Balance	
	Value	Percentage (1893 = 100)	Value	Percentage (1893 = 100)	In favor of exports	In favor of imports
	Yen		*Yen*		*Yen*	*Yen*
1868	15,553,473	17.3	10,693,072	12.1	4,860,401	....
1869–1873	16,816,538	18.7	26,144,841	29.6	....	9,328,303
1874–1878	22,995,321	25.6	27,539,572	31.2	....	4,544,251
1879–1883	32,323,963	36.0	31,732,457	36.0	591,506	....
1884–1888	47,801,532	53.3	40,195,507	45.5	7,606,025	....
1889–1893	77,401,421	86.3	74,068,574	83.9	3,332,847	....
1893 [a]	89,712,865	100.0	88,257,172	100.0	1,455,693	....
1894–1898	139,217,971	155.2	183,043,987	207.4	....	43,826,016
1899–1903	243,902,988	271.9	270,469,439	305.6	....	26,566,451

[a] For reference.

TABLE VII.—ANNUAL VALUE OF FOREIGN TRADE, 1889–1898

Year	Exports		Imports		Balance	
	Value	Percentage (1889=100)	Value	Percentage (1889=100)	In favor of exports	In favor of imports
	Yen		*Yen*		*Yen*	*Yen*
1889	70,060,706	100.0	66,103,767	100.0	3,956,939	....
1890	56,603,506	80.8	81,728,581	123.6	....	25,125,075
1891	79,527,272	113.5	62,927,269	95.2	16,600,004	....
1892	91,102,754	130.0	71,326,080	107.9	19,776,674	....
1893	89,712,865	128.1	88,257,172	133.5	1,455,693	....
1894	113,246,086	161.6	117,481,955	175.2	....	4,235,869
1895	136,112,178	194.3	129,260,578	195.5	6,851,600	....
1896	117,842,761	168.2	171,674,474	259.7	....	53,831,713
1897	163,135,077	232.8	219,300,772	331.8	....	56,165,695
1898	165,753,752	236.6	277,502,156	419.8	....	111,748,404

TABLE VIII.—ANNUAL VALUE OF FOREIGN TRADE, 1893–1903[a]

Year	Exports		Imports		Balance	
	Value	Percentage (1893=100)	Value	Percentage (1893=100)	In favor of exports	In favor of imports
	Yen		*Yen*		*Yen*	*Yen*
1893	89,712,866	100.0	88,257,172	100.0	1,455,694	....
1894	113,246,086	126.2	117,481,956	133.1	....	4,235,870
1895	136,112,176	151.7	129,260,578	146.5	6,851,598	....
1896	117,842,760	131.4	171,674,474	194.5	....	53,831,714
1897	163,135,078	161.8	219,300,771	248.5	....	56,165,693
1898	165,753,752	184.8	277,502,156	314.4	.....	111,748,404
1899	214,929,895	239.6	220,401,928	249.8	....	5,472,033
1900	204,429,995	227.9	286,261,846	325.5	....	82,831,851
1901	252,349,543	281.3	255,816,644	289.9	....	3,467,101
1902	258,303,065	290.2	271,731,260	307.9	....	13,428,195
1903	289,502,442	322.7	317,135,517	359.3	....	27,633,075

[a] The Sino-Japanese War was fought in 1894–1895.

TABLE IX.—EXPORTS, 1893–1903

(*a*) *Manufactured articles*

Year	Habutaye	Silk manufactures	Cotton manufactures (except cotton tissues)	Matches	Fancy matting	Porcelain and earthenware	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893	3,553,604	3,899,646	1,185,156	3,537,974	1,723,383	1,577,191	15,476,954
1894	7,254,478	3,628,129	1,980,357	3,795,635	1,965,493	1,484,854	20,108,946
1895	8,354,490	5,339,955	2,487,867	4,672,812	3,461,370	1,955,060	26,271,554
1896	7,052,217	4,617,720	2,706,777	4,986,260	3,056,759	1,974,854	24,394,587
1897	9,530,676	3,390,146	3,084,963	5,641,993	3,232,738	1,819,061	26,699,577
1898	12,055,505	3,555,115	3,286,534	6,273,949	3,938,450	1,990,781	31,100,334
1899	15,799,014	3,461,572	4,714,005	5,890,666	3,717,489	2,181,336	35,764,082
1900	17,436,381	4,318,553	6,658,434	5,760,869	3,296,969	2,471,904	39,943,110
1901	23,912,356	3,951,192	6,563,622	7,392,869	5,351,111	2,491,668	49,662,818
1902	24,685,408	3,154,237	7,221,115	8,169,966	6,772,496	2,461,544	52,464,766
1903	27,510,478	2,938,421	8,506,147	8,473,072	4,251,465	3,169,009	54,848,592
Total	157,144,607	42,254,686	48,394,977	64,596,065	40,767,723	23,577,262	376,735,320

TABLE IX.—EXPORTS, 1893–1903—*Continued*

(*b*) *Semi-manufactured articles*

Year	Raw silk	Hides, hemp, noshi or knube	Cotton yarn	Straw plaits	Refined tea, etc.	Camphor	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893	28,167,411	2,792,764	59,176	378,349	7,702,088	1,308,611	40,408,399
1894	39,353,156	3,208,593	955,530	743,399	7,930,287	1,023,956	53,214,921
1895	47,866,257	2,862,720	1,034,479	1,387,643	8,879,242	1,526,832	63,557,173
1896	28,830,602	2,764,065	4,029,425	2,234,354	6,372,329	1,119,196	45,349,971
1897	55,630,460	3,019,973	13,490,197	3,181,915	7,860,460	1,318,292	84,501,297
1898	42,047,411	2,655,931	20,116,586	2,404,003	8,215,665	1,174,574	76,614,170
1899	62,627,721	4,074,086	28,521,438	2,770,178	8,498,783	1,754,496	108,246,702
1900	44,657,029	4,161,318	20,589,263	4,025,159	9,035,819	3,070,701	85,539,289
1901	74,667,331	4,428,768	21,465,573	2,989,836	8,854,327	3,904,974	116,310,809
1902	76,859,478	5,713,796	19,901,523	2,938,858	10,484,017	3,404,833	119,302,505
1903	74,428,907	6,957,320	31,418,614	3,787,062	13,935,253	3,537,844	134,065,000
Total	575,135,763	42,639,334	161,581,804	26,840,756	97,768,270	23,144,309	927,110,236

TABLE IX.—EXPORTS, 1893–1903—*Continued*

(c) Raw materials

Year	Rice	Coal (except that for use in ships)	Copper, ore and refined	Total
	Yen	*Yen*	*Yen*	*Yen*
1893	5,001,158	3,288,843	4,569,229	12,859,230
1894	5,593,152	4,674,305	4,900,754	15,168,211
1895	7,207,346	5,409,111	5,157,667	17,774,124
1896	7,951,087	6,242,931	5,479,602	19,673,620
1897	6,141,218	8,316,776	5,774,699	20,232,693
1898	5,920,185	12,240,622	7,267,075	25,427,882
1899	10,282,012	11,784,731	11,383,358	33,450,101
1900	3,576,569	13,703,655	12,725,935	30,006,159
1901	6,908,913	17,542,273	13,904,610	38,355,796
1902	6,679,623	17,270,417	10,261,984	34,212,024
1903	4,964,349	19,260,503	14,906,034	39,130,886
Total	70,225,612	119,734,167	96,330,947	286,290,726

TABLE X.—IMPORTS, 1893–1903

(*a*) *Manufactured articles*

Year	Sugar	Printed cotton, cotton, satin, velvet	Calicoes (raw, bleached, spun, designed and colored)	Woolen fabrics, serge, tissue, felt	Various kinds of woolen fabrics	Crepe	Various kinds of medicines and chemicals	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893.....	11,564,419	980,965	2,807,793	1,129,567	3,041,572	2,305,506	3,055,000	24,884,822
1894.....	13,324,522	2,487,998	3,565,490	862,041	2,256,538	3,150,823	3,396,436	29,043,848
1895.....	11,830,183	1,663,598	3,663,520	3,240,153	2,230,501	3,633,468	4,589,193	30,850,616
1896.....	13,853,844	4,805,440	5,127,072	4,389,045	5,248,940	6,498,162	3,984,390	43,906,893
1897.....	20,002,387	3,460,467	4,267,910	2,276,858	3,497,341	3,835,881	4,487,306	41,828,150
1898.....	28,619,519	3,635,299	5,399,398	3,325,504	2,907,601	4,408,753	7,814,112	56,110,186
1899.....	17,645,230	2,784,137	4,173,279	2,641,853	2,079,634	4,350,934	7,212,425	40,887,492
1900.....	26,691,757	6,529,867	7,276,565	6,620,432	3,770,964	7,364,991	6,933,222	65,187,798
1901.....	33,529,803	2,818,495	3,630,792	2,626,202	1,872,315	3,339,121	5,527,045	53,343,773
1902.....	14,486,235	5,621,645	6,389,050	3,694,647	2,514,782	3,754,836	7,183,083	43,644,278
1903.....	21,005,630	3,875,942	4,331,665	4,029,148	2,124,869	4,189,076	6,712,051	46,268,381
Total....	212,553,529	38,663,853	50,632,534	34,835,450	31,545,057	46,831,551	60,894,263	475,956,237

TABLE X.—IMPORTS, 1893–1903—*Continued*

(*b*) *Semi-manufactured articles*

Year	Kerosene	Cotton yarn and thread	Oil cakes	Total
	Yen	*Yen*	*Yen*	*Yen*
1893	4,401,041	7,400,369	599,893	12,401,303
1894	5,135,332	8,088,570	822,195	14,046,097
1895	4,303,929	7,411,918	946,028	12,661,875
1896	6,331,036	11,544,632	3,220,600	21,096,268
1897	7,667,350	9,881,495	3,315,587	20,864,432
1898	7,552,880	8,906,359	4,614,967	21,074,206
1899	7,918,149	5,317,934	6,791,813	20,027,896
1900	14,162,652	7,376,078	5,722,764	27,261,494
1901	14,943,401	5,218,261	8,115,908	28,277,570
1902	14,937,169	2,107,593	10,121,712	27,166,474
1903	11,455,697	1,091,643	10,739,361	23,286,701
Total	98,808,636	74,344,852	55,010,828	228,164,316

TABLE X.—IMPORTS, 1893–1903—*Continued*

(*c*) *Raw materials*

Year	Raw cotton, ginned and raw	Wool and woolen yarn	Rice	Wheat	Flour	Beans	Indigo, including artificial indigo	Iron, copper, and articles made therefrom	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893.....	16,151,570	939,050	3,254,842	2,001	319,659	3,446,636	444,208	5,366,487	29,924,453
1894.....	19,610,761	1,130,699	8,413,148	31,043	619,009	2,977,795	329,861	9,178,257	42,290,573
1895.....	24,822,097	2,087,986	4,357,096	7,583	406,855	2,554,764	581,370	10,487,436	45,305,187
1896.....	32,573,352	2,132,313	5,662,337	100,236	994,202	3,475,016	1,067,257	14,503,323	60,508,036
1897.....	43,620,214	2,399,822	21,528,429	384,255	1,156,569	5,889,617	1,538,022	16,777,771	93,294,699
1898.....	45,744,371	2,428,012	48,219,810	143,913	2,022,413	7,101,103	2,270,815	19,491,302	127,421,739
1899.....	62,210,716	4,917,765	5,960,166	86,489	1,370,857	8,822,111	2,903,829	15,469,754	101,741,687
1900.....	59,471,629	5,749,280	9,021,536	692,342	3,882,517	4,817,767	3,902,559	31,729,197	119,266,827
1901.....	60,650,362	4,010,820	11,878,958	272,869	2,873,302	5,328,136	2,665,043	19,998,204	107,677,694
1902.....	79,784,771	4,340,269	17,750,817	240,050	3,278,324	5,786,707	2,415,629	18,810,422	132,406,989
1903.....	69,518,110	5,972,981	51,960,272	4,767,839	10,324,420	7,993,413	3,325,000	21,931,221	175,793,256
Total....	514,157,953	36,108,997	188,007,411	6,728,620	27,248,127	58,193,065	21,443,593	183,743,374	1,035,631,140

TABLE XI.—SUMMARY OF EXPORTS AND IMPORTS, 1893–1903

Year	Exports				Imports				Total of Exports and Imports
	Manufactured articles	Semi-manufactured articles	Raw materials	Total	Manufactured articles	Semi-manufactured articles	Raw materials	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893	15,476,954	40,408,399	12,859,230	68,744,583	24,884,822	12,401,303	29,924,453	67,210,578	135,955,161
1894	20,108,946	53,214,921	15,168,211	88,492,078	29,043,848	14,040,097	42,290,573	85,380,518	173,872,596
1895	26,271,554	63,557,173	17,774,124	107,602,851	30,850,616	12,661,875	45,305,187	88,817,678	196,420,529
1896	24,394,587	45,349,971	19,673,620	89,418,178	43,906,893	21,096,268	60,508,036	125,511,197	214,929,375
1897	26,699,577	84,501,297	20,232,093	131,433,567	41,828,150	20,864,432	93,294,699	155,987,281	287,420,848
1898	31,100,334	76,614,170	25,427,882	133,142,386	56,110,180	21,074,206	127,421,739	204,606,131	337,748,517
1899	35,764,082	108,246,702	33,450,101	177,460,885	40,887,492	20,027,896	101,741,687	162,657,075	340,117,960
1900	39,943,110	85,539,289	30,006,159	155,488,558	65,187,798	27,261,494	119,266,827	211,716,119	367,204,677
1901	49,662,818	116,310,809	38,355,796	204,329,423	53,343,773	28,277,570	107,677,694	189,299,037	393,628,460
1902	52,464,766	119,302,505	34,212,024	205,979,295	43,644,278	27,166,474	132,406,989	203,217,741	409,197,036
1903	54,848,592	134,065,000	39,130,886	228,044,478	46,268,381	23,286,701	175,793,256	245,348,338	473,392,816
Total	376,735,320	927,110,236	286,290,726	1,590,136,282	475,956,237	228,164,316	1,035,631,140	1,739,751,693	3,329,887,975

CHAPTER VI

EFFECTS ON TRANSPORTATION AND COMMUNICATION

At the outbreak of the war all the available transportation facilities in Japan, both land and water, were placed at the disposal of the government for the transport of troops and munitions from Japan to Korea and Manchuria, and, in consequence, the general public suffered considerable inconvenience. This state of affairs, however, did not last long, for the authorities concerned quickly adopted the necessary measures for relief; thus the transportation business was soon restored to its normal status, and never since has the general public suffered such inconvenience as at the outbreak of the war.

Thus, except for this short period, transportation business in Japan was not hampered by the war at all, and all transportation facilities, both land and water, throughout the Empire, remained during the war in the condition as before the outbreak of the war. But after the war, which ended in Japan's victory, a great increase in activity was noted in the transportation, as in almost every other branch of business, as a result of the great postbellum boom in industry and trade. To meet this tendency toward expansion, many plans were formulated—by individuals as well as by the government. The latter planned for the improvement and extension of the railways and the telephone service, made efforts to augment foreign trade, and subsidized the merchant marine as well as the companies engaged in shipbuilding. The government raised the funds necessary for all these measures by public loans.

How remarkable was the progress Japan made in transportation after the conclusion of the war in 1896 may be observed from the considerable increase in the paid-up capital

of those companies engaged in the transportation business during the several years following the war. Compared with the year 1896, in which the war was concluded, the paid-up capital of the companies engaged in transportation increased by 100 per cent in 1900, and by 130 per cent in 1903, as will be seen in the table below:

CAPITAL INVESTMENT IN TRANSPORTATION COMPANIES, 1896–1903

Year	Authorized capital	Paid-up capital			No. of companies
		Amount	Rate of increase	Reserve	
	Yen	*Yen*		*Yen*	
1896	171,674,964	113,216,760	100.0	6,259,011	334
1897	266,973,250	164,684,165	145.5	6,551,967	454
1898	271,896,976	197,233,421	174.2	7,302,391	536
1899	269,622,304	198,146,560	175.0	8,113,324	583
1900	305,810,809	228,733,512	202.0	14,877,726	627
1901	356,220,426	243,224,584	214.8	14,221,810	596
1902	361,454,333	262,676,192	232.0	18,587,260	646
1903	383,422,606	262,382,936	231.7	24,004,444	702

As the table indicates, the authorized capital of these companies increased by more than 100 million *yen* in the two years after the conclusion of the war, and then by another 100 million *yen* in the few years subsequent. Especially noteworthy is this rate of increase, secured by the transportation companies during the several years following the war, when compared with that secured by companies engaged in agriculture, industry and commerce.

The extension of railways, those owned by the government as well as private roads, and the increase in the tonnage of merchantmen during these years were also remarkable, as the tables on the following page indicate.

Of the systems of communication, which are under government control, the telephone service was extended at an outlay of 13 million *yen*.

The condition of each of these branches of business will be presented in the following sections.

EXTENSION OF RAILWAYS, 1893–1903

Year	Mileage of railways			
	Government	Private	Total	Rate of extension
	Miles	*Miles*	*Miles*	*Per cent*
1893	558	1,381	1,939	100.0
1894	581	1,537	2,118	109.2
1895	593	1,697	2,290	118.1
1896	632	1,875	2,507	129.3
1897	662	2,287	2,949	152.1
1898	768	2,652	3,420	176.4
1899	833	2,806	3,639	187.7
1900	950	2,905	3,855	198.8
1901	1,060	2,967	4,027	207.7
1902	1,227	3,011	4,238	218.6
1903	1,345	3,151	4,496	231.9

INCREASE IN SHIPPING, 1893–1903

Year	Tonnage of merchantmen			
	Steamships	Sailing boats	Total	Rate of increase
	Tons	*Tons*	*Tons*	*Per cent*
1893	104,909	31,538	136,447	100.0
1894	163,029	30,178	193,387	141.7
1895	207,765	27,563	235,328	172.5
1896	227,840	25,485	253,325	185.7
1897	268,223	25,768	293,991	215.5
1898	287,857	139,835	427,692	313.4
1899	308,402	253,439	561,841	411.8
1900	330,622	287,568	618,190	453.1
1901	357,394	307,031	664,425	486.9
1902	376,118	310,061	686,179	502.9
1903	408,990	302,783	711,773	521.7

TRANSPORTATION BY LAND

The best way to discover what effect the war had upon systems of land transportation in Japan, as in the case of other branches of business, is to note the progress attained in the following years. The only means of land transportation in those days were wagons, *rikisha* and railways of various kinds. How the paid-up capital of companies engaged in land transportation increased in the several years subsequent

to 1896, the year in which the war was brought to an end, may be seen from the table below:

CAPITAL INVESTMENT IN LAND TRANSPORTATION COMPANIES, 1896–1903

Year	Steam railways	Electric railways	Railways employing hand cars	Tramways	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1896.....	....	90,103,974	....	796,827	90,900,801
1897.....	....	130,663,015	....	44,640	130,707,655
1898.....	....	155,881,965	....	30,000	155,911,965
1899.....	....	156,967,016	....	42,400	157,009,416
1900.....	184,201,311	2,535,534	254,227	2,431,972	189,423,044
1901.....	196,539,372	5,419,225	307,391	1,059,409	203,325,397
1902.....	212,926,155	7,158,750	374,872	1,058,392	221,518,169
1903.....	205,319,921	13,089,005	451,504	1,364,544	220,224,974

No other means of land transportation was affected by the war as were the railways. Therefore it will be sufficient to inquire into the condition of the railways during these years.

In 1893, or before the outbreak of the war, one-half of the Japanese railways was under government, and the other half under private management. The average working mileage of the government railways in those days was 558 miles and the average profit 16.91 *yen* per mile a day. The private railways were maintained by 15 different companies, and the average working mileage was 1,338 miles.[1] Profits from the railways under private management were 7.10 *yen* per mile a day; the rate of profit reckoned on the paid-up capital was about 7 per cent. Such was the state of Japanese railways before the war. In the next ten years, however, the working mileage of the government railways increased to 1,282 miles, or more than double the total mileage in 1893, and these railways brought in a profit of 21.82 *yen* per mile a day, or an increase of 30 per cent over that of 1893. Meanwhile the number of railway companies had increased to 41, and their total working mileage to 3,070 miles, or an increase of

[1] The average mileage owned by each of these companies was 89.2 miles, and the paid-up capital 36,524 *yen* per mile.

130 per cent; their daily profit also increased to 16.91 *yen*, or by about 140 per cent, compared with 1893. This profit means 9 per cent on the paid-up capital of 67,845 *yen* per mile. Thus the Japanese railways made considerable progress both in mileage and profits in the ten years from 1893 to 1903. Let us now make fuller inquiries into the condition of the railways, both government and private.

In 1893, or before the outbreak of the war, the Japanese Government possessed 558 miles of railway, mostly what may be called trunk lines. This does not imply, however, that the Japanese Government neglected the construction of necessary railways in those days. On the contrary, the government promulgated the Railway Construction Law[1] on June 20, 1893, whereby a program was announced for the construction of railways in all parts of the country. This program, however, was to be carried out gradually in different periods. In the first period, nine important lines were to be built at a cost of 60 million *yen*, to be secured by a public loan. But as soon as this program, or a portion of the greater program, was initiated, the war with China began, and the government naturally was compelled to suspend the work during the war. But Japan won the war, and after peace was restored, the Japanese Government in its postbellum program, prepared on a scale commensurate with the elevated position now occupied by the country, planned to improve the existing government railway lines and build new ones by floating public loans for this purpose. Thus the government agreed to procure a loan of 27,731,331 *yen*[2], and of this total amount, to spend 26,553,000 *yen* for improvement of the existing railways under the government, and 1,178,331 *yen* for construction of a line between Sorachita and Asahigawa in the Hokkaido. The government also agreed to build a trunk line on the same island by raising a loan of 33 million *yen*.[3] Then the government planned to build railway lines on the island of Formosa,

[1] Law No. 4.
[2] Public Works Loan Regulations, Law No. 59, promulgated March 29, 1896.
[3] Hokkaido Railway Construction Law, Law No. 93, promulgated March 13, 1896.

ceded to Japan as a result of the war, at a cost of 28,800,000 *yen*, to be defrayed by a portion of the Formosa Public Works Loan.[1] Then, too, the scope of the original program, as announced before the war, was enlarged, and the appropriation for the first period increased from 60 million *yen* to 95 million *yen* by Law No. 19, promulgated on April 2, 1901.

The new lines thus planned and the cost of their construction were as follows:

CONSTRUCTION AND IMPROVEMENT OF GOVERNMENT RAILWAYS, 1893–1903[2]

	Yen	*Yen*
Construction of railway lines, 1893–1903, built with proceeds of government railway loans:		
Fukushima-Aomori line	20,773,993	
Hachiwoji-Nagoya line	20,300,532	
Shinonoi-Shigojiri line	6,410,865	
Yatsushiro-Kagoshima line	6,050,676	
Tsuruga-Toyama line	9,407,302	
Himeji-Sakai line	5,574,331	
Kaidaichi-Kure line	2,152,600	
Fukuchiyama-Sonobe-Maizuru line	1,341,459	
Expenses for superintendence	200,019	
		72,211,777
Improvement of existing railways under government management, 1896–1903, from proceeds of Government Public Works Loan:		
Tokaido line	21,097,422	
Shinyetsu line	1,039,545	
Street railway line in Tokyo	2,763,340	
Yokohama harbor line	28,404	
Kobe harbor line	791,765	
		25,720,476
Construction of railway line between Asahigawa and Sorachita, Island of Hokkaido		1,176,701
Construction of new lines, 1896–1903, from proceeds of Hokkaido Railway Loan		5,889,305
Construction of new lines, 1899–1903, from proceeds of Formosan Railway Construction and Improvement Appropriation		14,894,227
Total		119,892,486

By these means the total mileage of the government railway lines was increased considerably, as the table given below indicates. The increase is indeed remarkable compared with the total mileage of 558 miles in 1893. The following table gives the annual increase, for the years 1893–1903.[3]

[1] Formosa Public Works Loan Law, Law No. 75, promulgated March 20, 1899.
[2] Fractions over 50 *sen* are counted as whole *yen;* fractions under 50 *sen* are disregarded.
[3] Railways built in Formosa during these years not included.

	Miles	*Chains*
1893	..	..
1894	23	20
1895	12	40
1896	38	40
1897	30	03
1898	90	19
1899	40	29
1900	72	79
1901	81	74
1902	131	07
1903	93	42
Total	613	53

All this extension of the government railways was a part of the program which the Japanese Government, stimulated by the war, had prepared to harmonize with the elevated position assumed by the nation after the Sino-Japanese War. Not only was this a direct effect of the war, but there was another cause for this extension of the railways in Japan, namely, the vast increase in the number of passengers and amount of goods carried by train, due to the increased activity in the ecomonic world in Japan after the war. This increase in both passengers and goods naturally brought about a corresponding increase in the profit from the railways. This cause may therefore be called an indirect effect of the war. The number of passengers and volume of goods carried, fare, gross returns, business expense, etc., of the state railways are given in Table I at the end of this chapter.[1]

The gross income, profit, etc., of these government railways also increased in these years, as indicated in Table II at the end of this chapter.[2]

The progress of the government railways during these years was remarkable in every respect.

Let us now look at the extension of private railways which, like the extension of the government railways, was carried out on a scale commensurate with the increase in economic activities after the war. This extension in the railways under private management was also remarkable, as the increase in the number of companies, their capital, working mileage, etc., given in the following table indicates.

[1] *Post*, p. 265. [2] *Post*, p. 266.

EXTENSION OF PRIVATE RAILWAYS, 1893–1903

Year	No. of companies	Authorized capital	Paid-up capital	Reserve fund	Loans	Average working mileage
		Yen	*Yen*	*Yen*	*Yen*	
1893....	15	63,145,000	48,869,515	517,975	5,680,000	1,338
1894....	20	80,290,200	59,176,637	1,322,085	5,778,000	1,457
1895....	24	99,228,000	71,626,301	1,161,682	5,552,000	1,617
1896....	26	120,015,000	89,010,597	1,587,045	5,350,000	1,698
1897....	32	175,396,000	122,542,091	2,169,267	5,410,000	2,027
1898....	42	213,886,150	153,924,703	2,681,711	10,174,365	2,466
1899....	43	227,799,300	169,999,444	3,374,353	10,640,400	2,725
1900....	41	238,042,550	181,267,472	3,635,854	11,017,800	2,841
1901....	40	242,585,000	192,811,305	4,401,343	12,839,000	2,944
1902....	41	251,675,000	202,603,626	5,155,920	12,852,600	2,978
1903....	41	256,575,000	208,285,567	6,038,419	18,364,400	3,070

The business of these railway companies was stimulated by the general activity in industry and commerce which followed the war and their capital greatly increased, as Table II indicates. Let us now note the increase in number of passengers, volume of goods, etc., as given in Table III at the end of this chapter.[1]

The increase in the number of passengers and volume of goods carried by these railways naturally brought about a corresponding increase in the receipts, as shown in Table IV at the end of this chapter.[2]

The railways in Formosa, which were entirely built by the Japanese after their acquisition of the island, as a result of this war, made a very good showing from the beginning, for in a few years after construction these railways brought in some profit, as Table V at the end of this chapter[3] shows.

In conclusion it may be stated that the war did not have any direct effects upon or give any marked stimulus to railway business in Japan; yet it is true that the railways achieved considerable progress in the several years following the war, because of the general awakening of the nation and improvement in the country's position brought about by the war. This progress made by the railways may therefore be said to be, to no small extent, the result of the war.

[1] *Post*, p. 267. [2] *Post*, p. 268. [3] *Post*, p. 269.

Transportation by Water

Merchant marine

In this section we shall give an account of the progress attained by the various organizations constituting the merchant marine of Japan, during these postbellum years. At the outbreak of the war, many merchantmen were transferred to the government service for the transport of troops and munitions, and the merchant marine as a whole was somewhat hampered in consequence. Especially was this the case with coastwise navigation. But this temporary inconvenience was soon remedied, for the government quickly chartered foreign vessels and put them in the places of the replevined merchantmen. For the remainder of the time, therefore, the Japanese merchant marine did not sustain any serious injury from the war, but remained in its normal condition. After the war, the government, stimulated by victory, adopted all possible measures to secure progress in the merchant marine, as in the transportation systems on land. Help in the form of government subsidies was given for the construction of good harbors, for instance, at Nagasaki and Osaka, so that these places might be converted into good trading ports. The construction of new vessels and overseas navigation were also encouraged by the aid of government subsidies. For the former the government promulgated the Law to Encourage Shipbuilding[1] on March 24, 1896, and for the latter the Law to Encourage Overseas Navigation[2] under the same date. The companies which enjoyed state bounty in accordance with the former law were only such as were composed of Japanese subjects, either wholly or in part, engaged in the building of vessels, and owning docks equipped as specified by the Minister of State for Communications.[3] An encouragement

[1] Law No. 16.
[2] Law No. 15.
[3] The rate of subsidy given in accordance with this law was 12 *yen* per ton of gross tonnage for steamers whose gross tonnage was between 700 and 1,000 tons; and 20 *yen* per ton of gross tonnage for those whose gross tonnage was 1,000 tons or over. In case an engine also was built, an additional subsidy of 5 *yen* per horse power was given for the engine.

bounty for overseas navigation was given those individuals or companies composed either wholly or in part of Japanese subjects that with their own steamers, registered by the Japanese government, were engaged in the transport of goods or passengers from a Japanese port to a foreign port, or from one foreign port to another.[1] A steamer eligible to government subsidy was to be made of either iron or steel materials, to be the best grade of steamer, and possess all the necessary qualifications specified by the Minister of State for Communications. In addition any steamer eligible for the shipbuilding encouragement bounty was to be of more than 700 tons gross tonnage. And any steamer eligible for the overseas navigation subsidy was to be more than 1,000 tons gross tonnage, and have more than 10 nautical miles maximum rate of speed. Besides these two forms of government subsidy for merchant marine, another system was devised for those steamers engaged in navigation service to ports in America, Europe and other foreign countries. This last form of subsidy was inaugurated because the Japanese Government, desiring to encourage the shipbuilding industry at home, was anxious to encourage overseas navigation.

Through encouragement from the government and the stimulus of the increased activity in commerce and industry during these post-bellum years, the Japanese merchant marine made remarkable progress in the several years following the war, as Table VI at the end of this chapter[2] indicates:

The number of steamers, registered tonnage, number of passengers, volume of goods carried, paid-up capital, etc., of the three principal steamship companies in Japan, namely, the

[1] In the case of a steamer whose gross tonnage was 1,000 tons, and whose maximum rate of speed was 10 nautical miles per hour, the rate was 25 *sen* per ton of gross tonnage for each 1,000 nautical miles of the voyage. This rate of subsidy was increased 10 per cent for every 500 tons increase in the gross tonnage, and 20 per cent for every nautical mile of increase in the maximum rate of speed per hour. For steamers whose gross tonnage was more than 6,500 tons, or whose maximum rate of speed was more than 18 nautical miles per hour, the same subsidy was given as for a steamer whose gross tonnage was 6,000 tons, or maximum rate of speed 17 nautical miles per hour. More or less discrimination was made according to the age or whether the steamer concerned was built in Japan or abroad.

[2] *Post*, p. 270.

Nippon Yusen Kaisha, the Osaka Shosen Kaisha, and the Toyo Kisen Kaisha for the years 1893–1903 are given in Table VII at the end of this chapter.[1]

Communication

The war did not have any direct effect on the systems of communication in Japan, but after the war the government by an appropriation of 12,802,107 *yen* established new telephone systems in Kyoto and fourteen other large cities, and at the same time connected all these important points by telephone with Tokyo and Osaka, the two largest cities in the Empire.

The first telephone in Japan was established between Tokyo and Yokohama in 1890. Then another line was run between Osaka and Kobe two years later. The fifteen cities where the government established telephones as a part of its post-bellum program, at a cost of 12,802,107 *yen*, in the years subsequent to 1896, were Kyoto, Nagasaki, Niigata, Nagoya, Sendai, Kanazawa, Hiroshima, Akamagaseki (Shimonoseki) Fukuoka, Moji, Kumamoto, Sapporo, Hakodate, Otaru and Utsunomiya. The appropriation referred to was apportioned as follows:

Year	Annual appropriation	Year	Annual appropriation
	Yen		*Yen*
1896	594,196	1900	2,349,786
1897	2,473,420	1901	1,807,587
1898	1,896,119	1902	1,615,532
1899	1,781,655	1903	268,556

Further than this there is nothing of importance to state about the systems of communication in Japan in these post-bellum years.

[1] *Post*, pp. 271, 272.

TABLE I.—PASSENGERS, FREIGHT, INCOME, ETC., OF GOVERNMENT RAILWAYS, 1893–1903

Year	Number of passengers	Volume of goods	Income			No. of carriages		
			Passenger fares	Freight receipts	Total	Locomotives	Passenger cars	Freight cars
		Tons	*Yen*	*Yen*	*Yen*			
1893.....	14,444,327	1,076,689	3,791,501	1,243,350	5,034,851	142	654	1,844
1894.....	14,883,986	1,018,298	4,229,005	1,589,565	5,818,570	167	685	2,105
1895.....	18,764,387	1,100,059	5,656,410	1,808,489	7,464,899	171	712	2,228
1896.....	22,750,749	1,266,119	5,984,581	1,646,323	7,630,904	183	803	2,321
1897.....	27,922,577	1,558,194	7,003,795	2,064,717	9,068,512	258	878	2,877
1898.....	31,590,764	1,793,896	7,722,425	2,810,033	10,532,458	317	986	3,295
1899.....	28,663,683	2,391,471	9,291,050	3,731,976	13,023,026	343	1,022	3,729
1900.....	31,944,856	2,806,560	10,441,171	4,499,792	14,940,963	387	1,085	4,291
1901.....	32,074,254	2,659,602	10,648,762	4,404,917	15,053,679	407	1,122	5,112
1902.....	31,897,045	3,183,720	11,520,422	5,053,487	16,573,909	453	1,327	5,644
1903.....	34,008,286	3,492,622	12,592,919	5,708,848	18,301,767	513	1,473	6,332

TABLE II.—REVENUE, DISBURSEMENTS AND PROFITS OF GOVERNMENT RAILWAYS, 1893–1903

Year	Gross receipts	Disburse-ments	Profit	Average working mileage	Gross receipts, disbursements and profit per working mile a day		
					Gross receipts	Disburse-ments	Profit
	Yen	*Yen*	*Yen*	*Miles*	*Yen*	*Yen*	*Yen*
1893	5,384,455	1,942,375	3,442,080	558	26.46	9.54	16.91
1894	5,819,413	2,181,696	3,637,717	565	28.20	10.57	17.63
1895	8,004,233	2,951,561	5,052,672	586	37.29	13.75	23.54
1896	8,273,652	3,815,663	4,457,989	621	36.52	16.84	19.68
1897	9,727,490	4,786,049	4,941,441	648	41.15	20.24	20.90
1898	11,165,889	6,380,951	4,784,938	724	42.25	24.15	18.11
1899	13,804,375	6,706,112	7,098,263	817	46.29	22.49	23.80
1900	16,045,775	7,271,565	8,774,210	896	48.93	22.17	26.76
1901	16,776,519	8,547,226	8,229,293	1,020	45.06	22.96	22.10
1902	18,336,582	9,066,165	9,270,417	1,131	44.42	21.96	22.45
1903	20,109,115	9,896,901	10,212,214	1,282	42.96	21.15	21.82

TABLE III.—PASSENGERS, FREIGHT, INCOME, ETC., OF PRIVATE RAILWAYS, 1893–1903

Year	No. of passengers	Volume of goods	Income			No. of carriages		
			Passenger fares	Freight receipts	Total	Locomotives	Passenger cars	Freight cars
		Tons	*Yen*	*Yen*	*Yen*			
1893.....	18,090,836	2,414,394	3,404,926	2,166,556	5,571,482	211	806	3,465
1894.....	21,639,321	3,265,404	4,326,804	2,933,926	7,260,730	273	968	4,301
1895.....	30,451,191	4,231,353	5,883,506	3,838,127	9,721,633	351	1,238	5,156
1896.....	43,478,370	5,579,112	7,242,495	4,439,366	11,681,861	429	1,475	6,582
1897.....	57,175,600	7,070,315	9,904,292	6,055,547	15,959,839	636	2,029	8,541
1898.....	67,471,125	8,122,230	11,929,364	7,499,787	19,429,151	786	2,837	10,827
1899.....	73,452,259	9,428,563	14,126,326	8,994,869	23,121,195	871	3,129	12,822
1900.....	81,766,015	11,594,960	16,100,291	10,926,376	27,027,667	892	3,331	14,046
1901.....	79,136,954	11,750,150	16,929,621	11,431,032	28,360,653	943	3,407	14,708
1902.....	78,121,456	12,938,951	17,097,369	12,152,660	29,250,029	974	3,537	15,861
1903.....	79,861,798	14,268,690	17,862,643	13,062,562	30,925,205	1,031	3,628	16,449

TABLE IV.—REVENUE, DISBURSEMENTS AND PROFITS OF PRIVATE RAILWAYS, 1893–1903

Year	Gross receipts	Disbursements	Profit	Gross receipts, disbursements and profit per working mile a day		
				Gross receipts	Disbursements	Profit
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1893	5,981,057	2,512,149	3,468,908	12.25	5.14	7.10
1894	7,803,008	3,155,459	4,647,549	14.67	5.93	8.74
1895	10,333,935	4,065,975	6,267,960	17.51	6.89	10.62
1896	12,373,775	5,237,426	7,136,349	19.91	8.43	11.48
1897	16,800,057	7,578,047	9,222,010	22.71	10.24	12.47
1898	20,556,934	11,422,514	9,134,420	23.31	12.95	10.36
1899	24,500,266	12,236,540	12,263,726	24.98	12.30	12.68
1900	29,014,009	13,622,156	15,391,853	27.99	13.14	14.85
1901	31,640,328	15,093,086	16,547,242	29.45	14.05	15.40
1902	33,344,213	16,203,223	17,140,990	30.68	14.91	15.77
1903	35,472,210	16,374,601	19,097,609	31.50	14.59	16.91

TABLE V.—PASSENGERS, FREIGHT, INCOME, ETC., OF FORMOSAN RAILWAYS

Year	Average working mileage	No. of passengers	Volume of goods	Income				Expenditure	Balance
				Passenger fares	Freight receipts	Other sources	Total		
			Tons	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1897.....	61	265,142	25,743	176,145	56,446	(Unknown)	(Unknown)	(Unknown)	(Unknown)
1898.....	61	318,164	50,657	180,142	107,286	1,091	288,591	"	"
1899.....	61	393,569	66,727	203,588	138,162	4,101	345,851	417,257	71,406[a]
1900.....	91	453,085	110,173	240,108	169,749	2,444	412,301	519,786	107,485[a]
1901.....	113	792,871	99,026	353,339	162,377	10,370	526,086	660,848	134,762[a]
1902.....	150	998,467	234,114	436,533	281,017	11,829	729,379	722,684	6,695
1903.....	174	1,197,644	315,312	541,927	419,656	10,110	971,693	815,217	156,478

[a] Loss.

TABLE VI.—THE MERCHANT MARINE FOLLOWING THE WAR

Year	Steamers			Sailing vessels			Total		
	Number	Gross tonnage	Registered tonnage	Number	Gross tonnage	Registered tonnage	Number	Gross tonnage	Registered tonnage
1893.....	400	169,264	104,909	218	33,562	31,538	618	202,826	136,447
1894.....	460	262,360	163,209	196	32,103	30,178	656	294,463	193,387
1895.....	528	331,374	207,765	173	29,322	27,563	701	360,696	235,328
1896.....	570	363,223	227,840	165	27,111	25,485	735	390,334	253,325
1897.....	626	429,624	268,223	171	27,412	25,768	797	457,036	293,991
1898.....	674	464,246	287,857	1,310	149,385	139,835	1,984	613,631	427,692
1899.....	753	498,376	308,402	2,783	270,162	253,439	3,536	768,538	561,841
1900.....	859	534,239	330,622	3,309	306,393	287,568	4,168	840,632	618,190
1901.....	969	577,195	357,394	3,565	324,995	307,031	4,534	902,190	664,425
1902.....	1,033	604,627	376,118	3,591	328,192	310,061	4,624	932,819	686,179
1903.....	1,088	656,745	408,990	3,514	320,563	302,783	4,602	977,308	711,773

TABLE VII.—NIPPON YUSEN KAISHA, OSAKA SHOSEN KAISHA, AND TOYO KISEN KAISHA, 1893–1903

Year	Vessels			Registered tonnage			Passengers[a]			Volume of goods[a]		
	N.Y.K.	O.S.K.	T.K.K.	N.Y.K.	O.S.K.	T.K.K.	N.Y.K.	O.S.K.	T.K.K.	N.Y.K.	O.S.K.	T.K.K.
	No.	*No.*	*No.*	*Tons*	*Tons*	*Tons*	*No.*	*No.*	*No.*	*Tons*	*Tons*	*Tons*
1893....	41	50	..	38,839	10,849	..	208	982	..	1,353	360	..
1894....	17	55	..	12,095	11,499	..	240	999	..	1,392	350	..
1895....	48	56	..	60,928	14,281	..	177	857	..	1,500	302	..
1896....	61	62	..	83,087	16,831	..	242	1,095	..	1,704	355	..
1897....	57	61	..	91,266	26,233	..	317	1,049	..	1,903	367	..
1898....	60	53	1	110,426	24,822	3,302	298	931	..	1,879	382	..
1899....	68	59	3	126,654	27,819	10,034	253	851	11	1,831	539	79
1900....	64	87	3	123,808	41,684	10,334	297	1,171	10	2,130	1,299	92
1901....	67	83	4	134,286	29,745	12,733	308	1,418	12	2,094	1,163	94
1902....	69	91	5	138,571	46,436	15,152	335	1,633	16	2,175	1,940	87
1903....	73	98	5	145,554	49,440	15,142	378	1,899	13	2,582	1,253	85

[a] A thousand is the unit and 500 or higher fractions are counted as units, while the rest are disregarded.

TABLE VII.—NIPPON YUSEN KAISHA, OSAKA SHOSEN KAISHA, AND TOYO KISEN KAISHA, 1893–1903—*Continued*

Year	Paid-up capital			Profits			Rate of dividend		
	N.Y.K.	O.S.K.	T.K.K.	N.Y.K.	O.S.K.	T.K.K.	N.Y.K.	O.S.K.	T.K.K.
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Per cent*	*Per cent*	*Per cent*
1893.....	8,800,000	1,800,000	....	2,142,782	141,721	....	8	8	..
1894.....	8,800,000	1,940,000	....	1,588,708	395,189	....	10	12	..
1895.....	8,800,000	1,940,000	....	1,048,277	651,556	....	10	18	..
1896.....	8,800,000	2,696,000	1,625,000	829,045	241,154	6,577	24	16	..
1897.....	18,694,900	5,068,696	2,646,440	55,084	43,025	37,117	11	3	..
1898.....	20,000,000	5,500,000	2,917,257	2,300,506	441,439	262,807	8	7	10
1899.....	22,000,000	5,500,000	3,250,000	2,717,473	593,939	168,733	8.5	8.5	10
1900.....	22,000,000	5,500,000	3,250,000	4,755,422	900,949	412,616	10	9.5	12
1901.....	22,000,000	5,500,000	3,250,000	5,444,163	542,140	594,228	12	10	12
1902.....	22,000,000	5,500,000	3,250,000	4,570,476	578,098	670,420	12	10	12
1903.....	22,000,000	5,500,000	3,250,000	4,822,601	622,819	539,646	12	10	12

CHAPTER VII

EFFECTS ON PRIMITIVE INDUSTRY

It may possibly be correct to say that the Sino-Japanese War had little direct effect upon primitive industry in Japan, although indirect effects were noticeable here and there. For instance, the interruption in the transportation of general merchandise, both by land and water, due to the transporting of troops and munitions at the outbreak of the war, caused a lack of balance between supply and demand for the products of various branches of primitive industry in the Empire. In consequence the prices of such commodities as lead and other contraband, coal, provisions, dried bonito, salted greens, pickled plums, barley, soy beans and certain munitions, rose somewhat.

It can not be denied that the rise in the prices of these third-class commodities in particular gave their producers—farmers, mine owners and fishermen—an opportunity to enlarge the scope of their productive capacity and so to increase profits. The rise in the prices of these commodities may therefore be regarded as an indirect effect of the war upon primitive industry in Japan, but even this was not so great as to be worth special mention.

But the measures that the Japanese Government adopted as a part of its post-bellum program for the development of various branches of primitive industry are worth special notice, although they, too, may be called an indirect effect of the war. These measures included the establishment of an iron foundry under state management[1]; improvement in the condition of rivers to secure better irrigation; the establishment of more agricultural experiment stations and sericultural training institutes, the enlargement of those already in existence, etc. Furthermore, the government established such

[1] Full particulars are given in Chapter II.

banking systems as the Japan Hypothec Bank of Tokyo, and the banks of agriculture and industry located in various parts of the country. All these banks engaged in the business of lending money on security furnished by real estate. These banks were started to give increased financial facilities to farmers, who were suffering from the lack of funds for their work. Of course these banks were imperfectly adapted to their purpose of developing the agricultural industry in Japan; especially in the case of farmers with small capital did they prove defective. Nevertheless it can not be denied that these banks gave an impetus to the agricultural industry and practical assistance to farmers. This may be proved from the fact that the greater part of the money that the Japan Hypothec Bank and the banks of agriculture and industry advanced in various parts of the country, through the system of redemption by annual instalments, was lent to the irrigation and earth-work guilds, all composed of farmers, as the figures in Table I at the end of this chapter[1] indicate. There is no denying the fact that they really did benefit many farmers who had been suffering from lack of capital to carry on their business.

ADVANCES BY BANKS OF AGRICULTURE AND INDUSTRY, 1898–1903

Year[a]	To agriculturists	To agricultural companies	For adjustment of arable land	Total	Grand total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1898....	2,297,870	....	....	2,297,870	3,687,490
1899....	7,163,043	....	....	7,163,043	10,522,750
1900....	11,095,842	18,001	5,270	11,119,113	16,647,648
1901....	13,342,196	25,126	4,869	13,372,191	19,994,537
1902....	14,931,925	34,595	4,431	14,970,951	21,701,288
1903....	17,194,710	58,852	60,241	17,313,803	24,296,668

[a] Close of year.

Areas under cultivation in rice and wheat since 1893, showing the improvement effected by the aid of the above-mentioned banks, are tabulated on the next page.

[1] *Post*, p. 276.

AREAS UNDER CULTIVATION IN RICE AND WHEAT, 1893–1903

Year	Rice		Wheat	
	Area under cultivation	Price (per koku)	Area under cultivation	Price (per koku)
	Cho	*Yen*	*Cho*	*Yen*
1893	2,769,478.9	7.08	1,744,010.3	3.35
1894	2,736,494.6	8.24	1,753,409.8	3.75
1895	2,784,682.5	8.21	1,774,159.8	3.80
1896	2,792,499.4	9.16	1,767,043.2	3.57
1897	2,787,181.3	11.81	1,749,571.7	4.88
1898	2,817,624.0	13.11	1,806,667.4	6.04
1899	2,839,550.2	9.84	1,809,822.6	4.46
1900	2,828,459.9	11.32	1,806,668.6	4.74
1901	2,847,357.3	11.47	1,816,200.8	4.07
1902	2,847,191.9	12.07	1,804,938.0	4.45
1903	2,864,139.1	13.68	1,799,346.1	6.18

The areas under cultivation in rice and wheat as given in the foregoing table refer to the lands on which rice or wheat was actually raised, and not to the entire area prepared for cultivation. Besides, the area of cultivated land changes according to the conditions of crops each year or the price of rice or wheat; therefore these figures can not be accepted as exactly reflecting what these banks did for the agricultural industry. Yet to some extent we may see by these figures the progress made by their aid.

In addition, the government established a training school to develop fishery experts, and adopted various other measures to improve the fishing and mining industries. As these, however, are not worth special notice, we shall content ourselves with a glance at statistics regarding the paid-up capital of the companies engaged in the agricultural industry during these years, as shown in Table II following.

TABLE I.—ADVANCES BY JAPANESE HYPOTHEC BANK

Year [a]	To agriculturists		To agricultural companies		To irrigation guilds		Total		Grand total of advances	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
		Yen		*Yen*		*Yen*		*Yen*		*Yen*
1897	11	342,709	..	....	5	206,703	16	549,412	28	1,376,012
1898	63	1,391,357	2	34,900	21	488,945	86	1,915,202	164	6,706,734
1899	113	2,294,365	2	34,397	36	1,019,973	151	3,348,735	244	8,774,842
1900	178	3,444,045	2	33,692	43	1,223,798	223	4,701,535	354	11,574,631
1901	300	4,481,913	2	33,289	50	1,429,920	352	5,945,122	599	13,862,578
1902	877	6,227,180	6	71,702	60	1,609,659	943	7,908,541	1,402	17,240,102
1903	1,964	8,466,286	6	68,621	70	1,842,804	2,040	10,377,711	2,808	21,681,894

[a] Close of year.

TABLE II.—CAPITAL INVESTED IN AGRICULTURE, 1893–1903

	1896	1897	1898	1899	1900	1901	1902	1903	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Cultivation	218,326	495,238	916,988	897,325	298,824	544,164	436,960	866,364	4,674,189
Farming	185,547	232,926	192,225	281,010	471,290	216,750	283,345	292,060	2,155,153
Forestry	7,788	93,011	111,696	99,361	372,396	241,243	265,831	378,387	1,569,713
Cultivation of mulberry trees, tea plants and fruit	107,357	132,828	148,388	168,906	19,781	141,102	223,660	225,645	1,167,667
Raising seed, etc.	61,000	69,656	31,042	60,762	129,109	201,420	28,385	33,670	615,044
Sericulture	177,435	421,867	118,399	110,238	183,004	169,007	144,332	164,286	1,488,568
Stock farming	179,875	112,551	101,930	77,070	112,485	147,278	167,220	158,962	1,057,371
Fish breeding	71,629	195,042	153,539	57,348	246,450	245,430	232,497	223,878	1,425,813
Fisheries	208,678	283,153	322,613	226,033	298,608	370,035	353,057	531,599	2,593,776
Whaling	392,000	136,030	197,405	261,200	381,475	270,060	289,060	133,710	2,060,940
Dairying	56,525	57,325	42,495	48,432	101,087	99,287	126,937	188,325	720,413
Total	1,666,160	2,229,627	2,336,720	2,287,685	2,614,509	2,645,776	2,551,284	3,196,886	19,528,647

CHAPTER VIII

SOCIAL EFFECTS

The national life of the Japanese people during the past fifty years may be divided into two periods, with the Sino-Japanese War as the dividing point. In the first period, that is, from the Restoration of 1868 up to the Sino-Japanese War, we accomplished, in addition to the Restoration which replaced the Shogunate with the Imperial rule, the introduction of a modern system of administration in place of the old feudal methods, experienced the Korean trouble, over which the leaders of the country differed, with a serious reflection on home politics as a result; and then went through the Saigo Rebellion of 1877. Through these events Japan accomplished great political reforms, her finances being so much affected thereby that the government was obliged to issue inconvertible bank notes to meet the needs of the time. In 1886, however, the finances of the country were put right, and the value of paper money began to assume a close relation to that of gold for the first time after many years of financial chaos. On February 11, 1889, the Imperial Constitution was promulgated, and the Imperial Diet was opened in the following year. The country was then just prepared to enter upon a period of activity, both politically and economically, with the one great aim of promoting the welfare of the nation, when the Sino-Japanese War broke out.

Prior to this time, the Japanese had never had any experience with international warfare, in the true sense of the word. They had had, it is true, frequent troubles with Korea and Formosa before this, but these troubles could not be called international war in the real sense of those words. In the eyes of the Japanese of that time, therefore, it was a great matter to be at war with China, the oldest and greatest country in the Far East, with a history running back 4,000 years into the past. Indeed, the Japanese were somewhat appre-

hensive as to the outcome. Fortunately for them they won, and this victory gave them the chance to realize for the first time the superior ability which they had been developing since the time of the Restoration in 1868. "To manifest the glories of the country to the world," was now the banner under which both government and people were determined to carry out their post-bellum program, prepared for the purpose of extending victorious Japan's influence. In accordance with this program the Japanese effected drastic reforms in their military system, business methods, and machinery for the promotion of culture.

Simultaneously the cost of living went up, and prices of commodities and labor rose correspondingly. Development in business methods resulted in the concentration of capital, and naturally disturbed the balance in the distribution of capital in consequence. The figures in the table below were based upon the results obtained by the commission appointed to investigate the currency system. They tabulated the wholesale prices of about 42 principal commodities in the

PRICES OF COMMODITIES IN JAPAN FROM 1873 TO 1912

Year	Index-numbers	Year	Index-numbers
1873	100.0	1893	126.1
1874	100.0	1894[a]	135.8
1875	102.0	1895[a]	143.5
1876	101 0	1896	154.9
1877	102 0	1897	174.1
1878	104 0	1898	182.7
1879	109.0	1899	182.5
1880	108.0	1900	195.2
1881	103.0	1901	186.3
1882	101.0	1902	182.1
1883	103.0	1903	195.2
1884	106.0	1904	200.9
1885	110.0	1905	221.6
1886	107.0	1906	230.3
1887	109.0	1907	248.8
1888	115.2	1908	241.3
1889	119.2	1909	229.1
1890	122.2	1910	235.6
1891	117.9	1911	247.8
1892	122.3	1912	265.1

[a] War time.

city of Tokyo, of about 16 different commodities in the city of Osaka and of about 31 principal articles of export (prices at place of export).[1] In addition, the results of similar investigations made by the Bank of Japan concerning the prices of about 40 of the principal commodities in the city of Tokyo were used. As these figures indicate, the history of the rise in the prices of commodities in modern Japan may be definitely divided into two periods, with the Sino-Japanese War as the dividing point. Each period has its special features.

As the figures in the foregoing table show, in the twenty-one years from 1873 to 1893, the prices of commodities in Japan rose 26.1 per cent, or approximately 1.3 per cent a year, but during the war with China and in the several years thereafter, or from 1894 to 1903, prices of commodities went up 69.1 per cent, or 6.9 per cent a year, and in the nine years from 1904 to 1912, or during the Russo-Japanese War and several years thereafter, prices of commodities rose 69.9 per cent, or 7.8 per cent a year. In a word, the prices of commodities in Japan were rising approximately 1 per cent every year up to 1896, but since then they have been rising 7.8 per cent on an average every year. These figures therefore denote quite a revolution in the life of the Japanese people.

That the prices of commodities have been rapidly rising in Japan since 1893 has already been stated. What were the causes of this rapid rise? This is a question which has been continuously investigated by government officials and individual experts ever since, but no decisive conclusion has yet been reached. As I understand it, however, one cause was the disturbance of the balance between supply and demand, especially in the case of rice, resulting in a rise in the price. Another cause was a considerable increase in the volume of currency in circulation, and yet another was the increase in the taxes, particularly taxes on consumption. The questions of currency and the increase in taxes will be dealt with later, so we shall here consider only the price of rice. From time immemorial, Japan has been known as a land of rice. Cer-

[1] All these investigations were made from 1872 to 1893.

tainly rice is the staple food of the country—the people in general live on rice.[1] How to keep the price of rice normal, or to adjust the changes in it, always constitutes the initial problem in the Japanese Government's policy as to prices of commodities, and even as to economic affairs in general. Now the price of rice has been constantly rising since 1893, so great an increase as 90 per cent being observable in the ten years from 1893 to 1903, as the figures in the table below show:

AVERAGE PRICE OF RICE THROUGHOUT JAPAN, 1893–1903

Year	Price (per *koku*)	Percentage
	Yen	
1893	7.08	100.0
1894	8.34	117.8
1895	8.21	115.9
1896	9.16	129.4
1897	11.81	166.8
1898	13.11	185.2
1899	9.84	139.0
1900	11.32	159.9
1901	11.47	162.0
1902	12.07	170.4
1903	13.68	193.2

It is a well-known principle that a rise or fall in the price of a single commodity will produce corresponding changes in other commodities, in the same market.

It is obvious, therefore, that a rise in the price of an important commodity will be accompanied by a similar rise in the prices of other commodities in one and the same market. Besides rice, tobacco, another stable commodity in Japan, also rose in price, after the government had established its monopoly in the manufacture of the article. This rise in the price of tobacco affected the prices of other commodities too. Now concerning the rise in the price of rice, it may be stated that the amount of the rice crop each year was partially responsible for it, but the principal cause of the rise in the price

[1] Of the whole population of Japan, about 70 per cent live on rice, so far as I have been able to ascertain.

of rice was the increase in consumption of those living on rice due to the general improvement in the standard of living in Japan, and for this the increase in the income of middle and lower-class people in recent years has been largely responsible. Let us look at the ratio of prices of commodities and prices of labor in the two largest cities in Japan, namely, Tokyo and Osaka, during these years, as given in the table below[1]:

Year	Tokyo		Osaka	
	Prices[a]	Wages[b]	Prices[c]	Wages[d]
1893	100.0	100.0	100.0	100.0
1894	101.2	109.2	106.0	111.9
1895	107.1	118.6	111.9	132.3
1896	119.8	129.1	126.7	141.7
1897	133.9	140.2	144.3	161.6
1898	139.5	145.8	159.3	168.6
1899	145.7	147.8	156.1	169.4
1900	159.7	167.2	173.7	183.6
1901	148.0	169.7	173.5	179.3
1902	145.0	170.6	173.0	182.3
1903	148.5	170.2	181.8	199.0

[a] Average prices of 31 different commodities. [c] Average prices of 14 different commodities.
[b] Average prices of 26 different kinds of labor. [d] Average prices of 43 different kinds of labor.

These figures speak eloquently of the growing increase in the income of middle and lower-class people in Japan, on the one hand, and on the other unmistakably demonstrate a steady rise in the price of labor in the same country. Both facts were together responsible for the rise in the prices of commodities during these years.

Wherever the prices of commodities and labor rise so quickly, the condition of society must be far from tranquil. Now, from the Restoration of 1868 to 1893,—a most eventful period in Japan's history, including as it did civil wars and a financial crisis,—the prices of commodities did not rise greatly, but they rose steadily after the year 1893. This steady rise in the prices of commodities could not but reflect the uneasy current under the surface of society during those days.

[1] Based upon the investigations made by the Finance Bureau in the Finance Department.

The intervention of the three Powers, France, Germany and Russia, after the Sino-Japanese War, which largely deprived Japan of the fruits of her victory, seriously warned the Japanese at large as to the probable future of their country, and they accordingly made up their minds to carry out a stupendous post-bellum program to elevate the position of their country among the Powers of the world. Yet the glorious victory with which the Japanese concluded the war, coupled with their expectation of an inflow of a large amount of capital from foreign countries, because of the large indemnity which China was compelled to pay to Japan as a result of the war, weakened to some extent the apprehension created by the intervention of the three Powers as to the future of their country. In the financial world, in addition to the government's post-bellum program, many "fake schemes" were started by individual business men for various kinds of enterprises. In spite of their rotten foundations, these plans worked smoothly for a while, and this fact tempted many other adventurers to start similar bogus enterprises. Thus was initiated a tendency which became well-nigh universal in financial circles until the whole of the country was shocked by the great financial crisis in 1901. The unusual rise in the prices of commodities and labor in the years following the Sino-Japanese War, as the figures in the foregoing table show, was therefore nothing but a reflection of the insecure condition of society in those days, when the majority of people lived on false pretensions. Indeed, it may be stated that in those pleasure-seeking days the people lacked sincerity somewhat in their mode of life, and that under the surface of society was running an indeed dangerous current.

For a few years after the Sino-Japanese War, the Japanese people, like many others in similar circumstances, lived on vaingloriously on account of their martial victory; yet they recovered their senses again during the great financial crisis of 1901, and were able to meet the Russo-Japanese War in 1904 in full preparedness. All the circumstances attending these events will be further examined in the following pages.

Prices of Commodities

An inevitable economic phenomenon of war is the sudden rise in the prices of commodities which takes place in belligerent countries after the outbreak of a war. The Sino-Japanese War was no exception to the rule, as the statistics on prices of commodities in Japan during and after the war indicate. But in Japan except for those commodities whose prices went up either because of interruption in the supply, due to the outbreak of the war, or on account of shortage of stock, chiefly munitions, prices did not rise during the war, but did go up considerably after the war was over. Thus during the war and approximately ten years following, the wholesale price of the principal articles of merchandise in the city of Tokyo rose about 50 per cent, as indicated in Table I at the end of this chapter.[1]

As the statistics in Table I indicate, the degree of the rise varies with the three classes of commodities, namely, foodstuffs, raw materials and manufactures, but it is true of all three classes that prices rose after more than during the war. Among the reasons for this rise, we may place the increase in taxes, especially duties on consumption, post-bellum enterprises carried out by both government and individuals, increase in the volume of currency in circulation resulting from the business boom, and finally the luxurious mode of living of the people at large. All these, which may be called bad effects of the war, were responsible for the considerable rise in the prices of commodities after the Sino-Japanese War.

As already stated, a rise in the prices of commodities in these post-bellum years undoubtedly resulted from the war, so I shall now dwell in more detail upon the effects of the war upon prices of commodities in the two largest cities, Tokyo and Osaka.

The first appreciable effect of the war was felt in commercial circles, when the government chartered many of the vessels belonging to the Nippon Yusen Kaisha and other merchant

[1] *Post*, p. 303.

marine companies, in the latter part of June, 1893, for the transporting of troops and munitions. As this interruption in transportation both by land and water—for railways, too, were placed at the government's disposal for the same purpose—came just at the time when the bulk of produce had to be marketed, the supply was suddenly interrupted, and prices jumped up in consequence. Especially was such the case with munitions. In the early part of the same year, or at least before June, the rate of interest was high and the price of silver rather low. From these two causes, as well as some minor ones, the prices of commodities in general had been going up, and while it may not be correct to say that the rise in the prices of commodities of that year was entirely an effect of the war, we may safely say that the war was the principal cause. The interruption to transportation at the outbreak of the war without doubt brought about a shortage of foodstuffs, etc., in the market, and merchants in anticipation of such a shortage had bought up as much as possible, without considering whether the merchandise would sell well or not. The articles whose prices thus rose were salted greens, pickled plums, barley, soy beans, etc. Lead, which could be bought for 6.50 *yen* or 6.60 *yen* per 100 *kin* before the war went up to 10.50 *yen* in September of the same year, because, being a contraband, its importation was stopped after the outbreak of hostilities. Coal, too (best brand of Karatsu and Hochiku), jumped up to 48 *yen* in September, as compared with 31 *yen* or so before the outbreak of the war. Provisions also rose 30 or 40 per cent, for they were imported at Neuchang and Korea for the troops. But chinaware, umbrellas, silk fabrics, etc., which are not daily necessaries of life, and also seaweed, trade in which was interrupted by the outbreak of the war, rather fell in price after the outbreak of hostilities. The articles which were not affected by the war to any serious degree were soy, bean paste, kerosene oil, and articles exported to Europe and America.

In May, 1895, the Sino-Japanese War was concluded. Owing to the intervention by the three Powers, Japan re-

stored to China the Liaotung peninsula, once occupied by her army. For a while the Japanese were discouraged by this intervention but they soon recovered, and prepared for fresh activities in business. Just at this time the Bank of Japan began lending out money rather generously in business circles, and the condition of the country's foreign trade became very encouraging. The rice crop for the same year was very good. Furthermore, a large amount of specie was brought to Japan from abroad through China's payment of her war indemnity and by the improved condition of foreign trade. Soldiers and sailors returned home in triumph and were given decorations and monetary gifts for their brave services at the front. These factors naturally had their effect upon business throughout the country, and prospects in general became far better. In addition, enthusiasm for speculative enterprises became almost universal among business men, and quotations on stocks and bonds went up considerably; the volume of convertible notes issued increased in consequence, as well as loans made by the associated banks in Tokyo, and the business done by the Tokyo Clearing House. For these phenomena the development of industry may have been partly responsible, but the principal cause was the increase in the volume of currency in circulation. If the volume of currency increases, the prices of commodities will assuredly go up. In 1896, the condition of the market became depressed, due to the government's raising of the taxes, the bad condition of trade in raw silk, cotton and tea, as well as the poor rice crop. Thus during the first half of the year prices of commodities fell somewhat. But this did not last long, for the Bank of Japan, by using the indemnity from China and the increase in its specie reserve, issued more convertible notes, which brought about an increase in the amount of bank notes in circulation, and thus the prices of commodities went up again.

In 1897 the amount of convertible notes issued continued to increase. To make the matter worse the price of rice rose, and the lower-class people suffered accordingly. In October of the same year the government adopted the gold standard

as the currency system of the country, but this change was by no means effective in bringing down the prices of commodities.

In 1898 business in Japan suffered a great depression, owing to the bad rice crop and the tense condition of the money market then prevailing. Prices of commodities rose accordingly. In the following year prices continued rising, and even later were rather on the increase, on the whole, although not without some fluctuations from time to time. It was from 1902 or thereabouts that business in Japan was finally freed from all effects of the Sino-Japanese War. Thus the rise in the prices of commodities during those years was caused by the tense condition of the money market and the increase in the volume of currency. And when we see that the Sino-Japanese War and the post-bellum program of enterprises by the government and people were entirely responsible for the increase in the volume of currency, the rise in the prices of commodities, and later the tense condition of the money market, we can not but wonder how far-reaching was the effect of the war upon the Japanese economic world.

The rise in the prices of commodities during and after the Sino-Japanese War was principally due to such general causes as increase in the volume of currency in circulation, the tense condition of the money market, and an increase in the purchasing power on the part of the general public, although interruption in the supply of merchandise during the war and the raising of taxes after the war may also be mentioned as secondary causes. In the following pages we shall first note the fluctuations in the prices of merchandise in general, and then examine the case of each class of merchandise.

In Tables II–IV at the end of this chapter[1] the index numbers of the annual average wholesale prices of merchandise in the cities of Tokyo[2] and Osaka, the largest commercial city in Japan[3], are given for the period 1893–1903.

A comparison of these three tables shows us that the fluctuation in prices of the several commodities differs according to

[1] *Post*, pp. 304–310.
[2] Investigations of the Bureau of Finance and of the Bank of Japan.
[3] Investigations of the Bureau of Finance.

the commodity, location, etc. For instance, the rate of increase in Osaka was greater than that in Tokyo; and in Tokyo, of the three kinds of merchandise, raw material rose most, and foodstuffs next, while manufactured articles rose least. However, generally speaking, the prices of these commodities fluctuated about the same in most cases, according to the prevailing state of the financial and economic market. And when we realize that it was due to the Sino-Japanese War and its effects that the financial market of Japan in those years was constantly disturbed and could not remain stable, we must admit that the war was responsible for said fluctuations in the prices of commodities, especially for the considerable rise noted.

Let us now study the relation between the index numbers for the prices of commodities as given in the above-mentioned Tables II–IV and the percentage of the volume of currency in circulation, as well as the amount of bank notes in circulation, as given in Table V at the end of this chapter.[1]

As the foregoing statistics indicate, the prices of commodities rose during those years which saw the volume of currency in circulation increased, or in the years following. Such being the case, the increase in the volume of currency in circulation in the years following the Sino-Japanese War was responsible, we may conclude, for the rise in the prices of commodities during those years. But as it may be premature to draw such conclusions from investigations covering a period of only a little more than ten years, I will give below the results of my investigations as to prices of commodities and percentage of currency in circulation during the period from 1887 to 1911.

These results of investigations covering twenty-five years simply confirm my former conclusion. Such being the case, it is not too much to say that the rise in the prices of commodities in the several years following the Sino-Japanese War was caused by the increase in the amount of currency in circulation due to the post-bellum financial and economic program.

[1] *Post*, p. 311.

COMPARISON OF PRICES OF COMMODITIES AND CURRENCY IN CIRCULATION, 1887–1911

Year	Index number for prices of commodities	Percentage of currency in circulation (1886=100)
1887	102.1	100.8
1888	107.9	105.2
1889	111.7	111.0
1890	114.4	103.4[a]
1891	110.4[a]	106.2
1892	114.6	109.2
1893	118.1	120.1
1894	127.2	124.8
1895	134.4	142.0
1896	145.1	151.3
1897	163.1	166.4
1898	171.1	143.8[a]
1899	170.9[a]	169.6
1900	182.8	160.2[a]
1901	174.5[a]	154.5[a]
1902	170.6[a]	164.5
1903	182.8	166.8
1904	193.7	196.0
1905	213.6	214.3
1906	215.7	239.2
1907	233.0	256.1
1908	226.0[a]	254.5[a]
1909	214.6[a]	257.8
1910	220.7	286.9
1911	232.1	306.3

[a] Decrease, as compared with previous year.

After the Sino-Japanese War, the Japanese Government raised the taxes on consumption of *sake*, tobacco, soy, etc., in order to meet her financial needs following the war. Let us look at the changes in the rate of these taxes:

(A) The tax imposed upon *sake* in general varies according to the brand, and is very complicated compared with similar impositions on other articles. We shall therefore here examine the rate for the consumption tax upon refined *sake* (*seishu*) only. The rate imposed upon this brand of *sake* was 4 *yen* per *koku* annually in 1893, the rate having been decided in accordance with Order No. 61, issued in 1882, but it was raised to 7 *yen* per *koku* in October, 1896, to 12 *yen* per *koku* in January, 1899, and to 15 *yen* in 1901.

(B) The rate imposed upon soy was at first 1 *yen* per *koku*

a year in accordance with Order No. 10, issued in May, 1885, but it was doubled on March 1, 1899.

(C) The imposition upon tobacco was a stamp duty of 20 per cent *ad valorem* from July 1, 1888, until the manufacture of tobacco was monopolized by the government on January 1, 1898. After the business was brought under government management, returns from the business were at first 84 per cent compared with the price for which the government bought the business from individual concerns. The rate became 100 per cent from July, 1898, to August, 1900, 130 per cent from August 22 of the same year, 150 per cent in 1901, and it was quoted between 140 and 180 per cent, according to grade of tobacco, in 1902. The net profit of the government from its tobacco monopoly, or rate of income as compared with the purchasing price of the business from individual concerns, was 77.9 per cent in the fiscal year 1897 (from January to March); 86.2 per cent in 1898; 94.0 per cent in 1899; 88.1 per cent in 1900; 158.8 per cent in 1901; 178.8 per cent in 1902; and 152.9 per cent in 1903.

The raising of the tariff rate by the government should also be noted in connection with the rise in prices of commodities during these years. In 1897 the Japanese Government promulgated its customs tariff law[1], which took effect from January 1, 1899. According to this tariff law, the taxable articles in Class No. 1 were 497, divided into 16 groups. These articles were subjected to the imposition of a tax from the minimum rate of 5 per cent up to the maximum rate of 40 per cent. By applying these rates of duty to the articles imported into Japan from abroad during the year 1895, we get an average rate of duty of 12.3 per cent. But as Japan has a conventional tariff contract (treaty) with England, France, Germany and Austria, this treaty too must be taken into consideration. Even in that case the average rate of duty was 10.52 per cent. Previous to the promulgation of the said tariff law, the average rate of customs duty in Japan was 3.57 per cent. The following statistics show the relation

[1] Law No. 14.

between the amount of the government's income from customs duties and the prices of the imported articles upon which duty was levied, for twenty years from 1889. As the figures below indicate, the average rate of tariff duty in Japan was 3.89 per cent for the ten years previous to the promulgation of the said tariff law, that is, from 1889, but it increased to 11.37 per cent for the ten years 1899–1908 which followed the promulgation of the said law.

REVENUE FROM CUSTOMS DUTIES, 1889–1908

Year	Returns from import duty	Value of imported articles, upon which duty was levied	Rate of customs duty
	Yen	*Yen*	*Per cent*
1889	2,863,576	63,403,345	4.52
1890	2,932,637	65,795,098	4.46
1891	2,401,238	54,822,790	4.38
1892	2,745,777	64,299,862	4.27
1893	3,098,627	79,462,140	3.89
1894	3,506,500	103,195,819	3.40
1895	4,238,842	118,680,124	3.57
1896	4,915,289	130,431,094	3.77
1897	5,295,123	139,975,246	3.78
1898	6,280,620	165,522,430	3.80
1899[a]	13,251,833	136,489,625	9.71
1900	16,764,165	200,458,007	8.36
1901	14,457,526	165,214,574	8.75
1902	14,727,596	151,037,567	9.75
1903	16,372,024	168,547,397	9.71
1904	20,519,938	208,450,952	9.84
1905	34,298,519	294,268,906	11.66
1906	41,230,391	281,337,980	14.66
1907	46,959,596	307,358,291	15.28
1908	44,817,856	281,399,648	15.93

[a] New tariff enforced.

As the foregoing figures indicate there can be no doubt that the raising of the rate of import duty influenced the prices of commodities in Japan during these years.

The imposition of a consumption tax upon merchandise brings about a rise in the price of that merchandise of approximately the same amount, either more or less, according to circumstances. Then a rise in the price of one article influences the prices of other articles which have relations with that article in the same market. Therefore it may be stated

that the raising of the duty on consumption was the principal factor in causing the rise in the prices of commodities during these years in Japan.

Prices of Labor

As stated heretofore, the price of labor always rises more rapidly and to a greater degree than the prices of commodities in Japan, as the prices of labor and commodities during these years in the two largest cities in the country, Tokyo and Osaka, as given in the table below, indicate:

Prices of Labor and Commodities in Tokyo and Osaka, 1893–1910 [a]

Year	Tokyo			Osaka		
	Labor	Commodities	Rice	Labor	Commodities	Rice
1893	100.0	100.0	100.0	100.0	100.0	100.0
1898	145.8	139.5	200.7	168.6	159.5	196.4
1903	170.2	148.5	176.3	199.0	185.3	194.1
1908	196.1	186.0	213.5	279.0	224.1	212.0
1909	193.9	176.7	178.7	268.6	217.7	173.7
1910	196.5	180.9	179.9	274.4	220.2	176.3

[a] For particulars of the foregoing figures, the previous section as well as statements that will be given later on the same subject are referred to. But as the figures for the years 1908 and beyond have been prepared especially for the above table, no further explanation of them will be given.

From the foregoing statistics it may be seen that the prices of labor always rose higher than the prices of commodities, especially rice. But we must first examine what changes the price of labor has passed through since the Restoration of 1868, and then we can see what effect the war had upon the prices of labor in general.

The table on the next page, prepared by the Bank of Japan, gives a view of the prices of 24 kinds of labor in the city of Tokyo from 1873 to 1910.

As these figures indicate, the price of labor did not rise at all rapidly, from 1873 to 1893, or before the outbreak of the Sino-Japanese War, but after that war it suddenly rose considerably. After the Russo-Japanese War

PRICE OF LABOR IN TOKYO, 1873–1910

Year	Price of labor	Year	Price of labor
1873	100.00	1892	124.04
1874	102.80	1893	124.92
1875	101.95	1894	135.25
1876	101.25	1895	152.00
1877	104.46	1896	158.29
1878	109.88	1897	166.58
1879	116.17	1898	179.75
1880	125.92	1899	185.43
1881	127.58	1900	194.38
1882	129.96	1901	203.17
1883	130.58	1902	200.08
1884	126.03	1903	200.50
1885	127.29	1904	201.38
1886	127.38	1905	210.29
1887	126.42	1906	219.91
1888	126.63	1907	225.32
1889	125.79	1908	237.54
1890	123.17	1909	233.92
1891	121.29	1910	224.54

(1904–1905), the price of labor did not rise so rapidly as it did after the Sino-Japanese War. It may be seen, therefore, that the changing conditions in the economic world following the Sino-Japanese War affected the price of labor, too, for the great activity prevailing during those years in economic circles increased the income of the people at large, and brought about a rise in the people's standard of living. The increase in the cost of living thus brought about, naturally caused a rise in the price of labor.

Let us further examine the relative prices of labor in both Tokyo and Osaka, as investigated by the Finance Bureau of the Department of Finance as well as by the Bank of Japan for these years. Particulars are given in Tables VI, VII, and VIII at the end of this chapter.[1]

As the figures in these tables show, the prices of labor during the years specified advanced 6 or 7 per cent a year. What relation the price of labor has to the prices of commodities will be discussed in the next section.

[1] *Post*, p. 312–315.

PRICES OF LABOR IN TOKYO AND OSAKA, 1893–1903

Year	In Tokyo (of 26 kinds of labor)[a]	In Osaka (of 43 kinds of labor)[a]	In Tokyo (of 24 kinds of labor)[b]	Average	Rate of increase compared with previous year
1893	100.0	100.0	100.0	100.0	....
1894	109.2	111.9	108.3	109.8	9.8
1895	118.6	132.3	121.7	124.2	14.4
1896	129.1	141.7	126.7	132.5	8.3
1897	140.2	161.6	133.3	145.0	12.5
1898	145.8	168.6	143.9	152.8	7.8
1899	147.8	169.4	148.4	155.2	2.4
1900	167.2	183.6	155.6	168.8	13.6
1901	169.7	179.3	162.6	170.5	1.7
1902	170.6	182.3	160.2	171.0	0.5
1903	170.2	199.0	160.5	176.6	5.6
					7 7[c]

[a] As investigated by Finance Department. [b] As investigated by Bank of Japan.
[c] Average.

PRICES AND INCOMES

Since 1893, the prices of labor have fluctuated to a far greater extent than the prices of commodities in Japan, as was briefly stated in the foregoing sections. The following

FLUCTUATIONS IN PRICES OF LABOR AND COMMODITIES, 1893–1903[a]

Year	Prices of commodities	Prices of labor	Excess of rise in prices of labor over rise in prices of commodities
1893	100.0	100.0	....
1894	105.0	109.8	4.8
1895	111.0	124.2	13.2
1896	123.1	132.5	9.4
1897	138.8	145.0	6.2
1898	147.9	152.8	4.9
1899	148.8	155.2	6.4
1900	162.7	168.8	6.1
1901	156.4	170.5	14.1
1902	154.2	171.0	16.8
1903	161.7	176.6	14.9

[a] Figures for prices of commodities given in the above table are the average prices of 31 different commodities in Tokyo and 13 commodities in Osaka, as investigated by the Finance Bureau, and of 40 commodities in Tokyo, as investigated by the Bank of Japan. Details as to these figures were given under "Prices of Commodities," p. 284. Figures for the prices of labor are the average prices of 26 kinds of labor in Tokyo, as prepared by the Finance Bureau, and of 24 kinds of labor in Tokyo and 43 kinds of labor in Osaka, as prepared by the Bank of Japan.

statistics, prepared by the Finance Bureau of the Department of Finance and by the Bank of Japan, give the ratio of the fluctuation in the prices of labor to that in the prices of commodities in the cities of Tokyo and Osaka.

As the figures in the foregoing table indicate, there is little doubt that the increase in the income of the working people of Japan during the years specified was proportionately greater than that in the prices of commodities.

The income of a laborer belonging to the class referred to is generally 30 or 40 *sen* a day, the highest not exceeding 95 *sen*. The annual income, therefore, must be less than 300 *yen*. A man of this rating certainly belongs to a financially low class in society. We must therefore examine the incomes of the middle and higher classes. Now as the people belonging to these classes pay an income tax, we may determine their income by studying income-tax statistics. The following table shows the number of people paying the third-class income tax and their income:[1]

INCOMES AND INCOME TAXES, 1893–1903

Year	No. of tax-payers	Per-centage	Total income	Per-centage	Amount of income per tax-payer	Per-centage	Index numbers for prices of commodities
			Yen		*Yen*		
1893....	124,077	100.0	91,313,447	100.0	736	100.0	100.0
1894....	129,327	104.2	99,470,716	108.9	769	104.5	105.0
1895....	134,732	108.6	107,553,679	117.8	798	108.4	111.0
1896....	151,041	121.7	127,299,728	139.4	843	114.5	123.1
1897....	172,764	139.3	147,676,544	161.7	855	116.2	138.8
1898....	195,292	157.4	168,480,424	184.5	863	117.2	147.9
1899....	342,721	276.2	204,117,466	237.4	633	86.0	148.8
1900....	431,378	347.7	253,251,341	291.7	617	83.8	162.7
1901....	510,779	411.7	291,256,213	334.9	599	81.4	156.4
1902....	580,849	468.1	326,230,305	373.8	588	79.9	154.2
1903....	548,976	523.0	366,931,266	420.7	592	80.4	161.7

[1] The income tax of this class is levied on their individual incomes, after interest on public bonds or debentures belonging to them has been subtracted. In other words, it is levied on all incomes except those of legal persons, or those which accrue from interest on public bonds or debentures payable in the territories of Japan where the income tax law is effective.

As the above figures indicate, the number of taxpayers belonging to this class steadily increased and in 1903 became about five times as great as in 1893. But disregarding the number, and considering the taxpayers of this class as a body, we see that the rate of increase in their aggregated incomes closely corresponds to the rate of increase in the prices of commodities during these years. The increase in the number of taxpayers and decrease in the amount of income per taxpayer are phenomena arising from the revision of the Income Tax Law, and from a stricter enforcement of the law, so nobody will contradict us if we say that these phenomena do not necessarily indicate a decrease in the aggregate income of the Japanese people at large. In a word, as the entire income of any one class in society is the collective income of the taxpayers in that society, it is not improper to compare the fluctuations in the total income of a country with the index number of price. But in this connection a few points must be borne in mind. (1) Excepting those who receive a stated income from their earnings, there may be many who do not report their entire incomes correctly and strictly to the government. (2) As a result of the revision of the Income Tax Law in 1899, the method of deciding as to taxpayers and of estimating the amount of individual incomes was somewhat changed. For instance, before the said revision, permanent residents only paid an income tax, but after the revision, the tax was obligatory not only upon permanent residents, but also upon those who reside in one place for more than a year, and also upon those who merely own property, or have business interests, or carry on their occupations in any place where this income tax law is effective. Again, before the said revision, the taxable income of each individual taxpayer included the whole of his income, but after the revision incomes were divided into three classes: (1) income of legal persons, (2) income from interest on public bonds or debentures, and (3) income of individuals. From the income of individuals was subtracted that part, if any such there were, as certain shares of legal persons, upon which the income tax

had already been levied by the government. So that the above described amount of income tax is not the total of individual incomes; moreover, the amount of the income tax of each new taxpayer was given in full from the year when he became qualified for paying the tax. This point, too, differed a little from the former regulations. These points must all be taken into consideration if the method suggested above for calculating incomes is to produce correct results.

We may sum it all up by saying that after the Sino-Japanese War the incomes of the middle and higher classes in Japan gradually increased with the improvement in the economic condition of the country, so that the incomes of these classes maintained much the same relation as before to the prices of commodities, notwithstanding the rapid rise of the latter during the years specified.

Cost of Living

During the Sino-Japanese War the style of living of the Japanese people did not show any appreciable effects of the war, but after the war a great change was observable.

When the war was concluded, the Japanese people in general, stimulated by their recent victory, began to show a tendency toward a more luxurious style of living. This tendency was further encouraged by the increase in the incomes of the people, especially of the middle and lower classes, due to the increased activity in the economic world which followed the war, and also to the distribution of monetary gifts by the government among soldiers, sailors, etc., for their services in connection with the war. Then, again, the war awakened the Japanese people, and they began to adopt many features of Western style to meet the various social requirements of their improved mode of living. Thus, on the one hand, the style of living in Japan was greatly improved, but on the other, the cost of living was considerably increased. As stated in the foregoing sections, the prices of labor and the incomes of the people at large increased in proportion to the rise in the prices of commodities during these

years. If we look only at these facts, the living conditions seem to have been very encouraging, but when we consider that the cost of living includes not only the daily necessaries whose prices have just been quoted, but also house rent, bath charges, etc., we shall understand more perfectly what effect the war really had upon living conditions in Japan. Thus, in the present section, we propose to examine the relation between the increase in the incomes of the people and the ratio of house rent, bath charges, etc.,—items of expense which constitute a part of the cost of living.

Before the Sino-Japanese War, with a view to ascertaining the recent changes in the cost of living of the people, the Monetary Investigation Commission appointed by the Finance Department of the Japanese Government investigated the prices of such commodities as rice, bean paste (*miso*), salt, soy, firewood, charcoal, cotton fabrics, house rent and bath charges in the city of Tokyo, made averages of these, and compared these averages with the prices of labor and commodities in the same city, as follows:

RATIO OF COST OF LIVING TO PRICES OF COMMODITIES AND LABOR, 1873–1893

Items	1873	1877	1882	1887	1892	1893
Cost of living:						
Rice	100	111	184	103	151	154
Bean paste	100	138	221	153	197	192
Salt	100	76	158	86	108	95
Soy	100	130	157	138	154	156
Firewood	100	125	305	153	158	162
Charcoal	100	100	226	127	179	165
Cotton fabrics	100	106	129	112	118	124
House rent	100	123	150	192	226	225
Bath charges	100	165	246	216	221	221
Average	100	119	197	142	168	166
Prices of commodities	100	107	95	104	122	122
Prices of labor	100	106	90	131	128	129

From the figures in the foregoing table it will be seen that prices of labor rose steadily with the increased prices of commodities, but they remained far below the increased cost of living. We shall now continue the investigation from the

year 1893 on. As we have no authentic figures for house rent and bath charges during these years, we shall first compare the prices of daily necessaries with the prices of labor, and then compare them with the rate of increase in taxes, which was especially remarkable after the war. The average prices of some of the daily necessaries in the city of Tokyo are shown in Table IX at the end of this chapter.[1]

According to the figures in this table, the prices of labor always advanced faster than the index number for the prices of commodities. They also rose steadily year after year, except in 1903, when they fell slightly. Bath charges, too, rose gradually during these years, while house rent rose considerably in response to improvement in the means of transportation in the city of Tokyo. Such being the case, it may be stated that the style of living of the people did not improve commensurately with the rise in the price of labor and the incomes of the people.

In addition we must note the changes in taxes, which increased the financial burdens of the people, and indirectly made improvement in style of living difficult. The increase in the burden of each taxpayer (such as government, prefectural, municipal, town and village taxes) was 50 per cent in 1898, and 100 per cent in 1900, and this increase certainly reduced the scale of living to a considerable extent. The particulars are given in the table below:

COMPARISON OF WAGES, COST OF LIVING AND TAXES, 1893–1903

Year	Prices of labor	Prices of daily necessaries	Taxation
1893	100.0	100.0	100.0
1894	109.8	109.2	101.2
1895	124.2	118.6	105.2
1896	132.5	129.1	111.9
1897	145.0	140.2	133.8
1898	152.8	145.8	148.6
1899	155.2	147.8	187.2
1900	168.8	167.2	199.5
1901	170.5	169.7	211.7
1902	171.0	170.6	226.2
1903	176.6	170.2	218.6

[1] *Post*, p. 316.

In short, after the Sino-Japanese War, while the price of labor rose, and the general income of the Japanese people increased to a considerable extent, the burden of taxes increased also, prices of commodities rose, and thus the general cost of living advanced. In addition, the people developed a tendency toward more luxurious living; therefore the style of living in Japan did not improve at all during these years. And it may also be stated that these obstacles to improvement in the condition of living during these years all arose from the Sino-Japanese War. See Table X at the end of this chapter.[1]

Population

The economic activity that followed the Sino-Japanese War brought about much prosperity in cities throughout the country, and as many kinds of industrial enterprises were started in these cities, there was naturally, in consequence, a general demand for labor in such places, especially in what are known as the industrial centers of the country. In such localities the price of labor and the income of the people in general were rather higher than in the agricultural districts. Large numbers of people, therefore, moved from the agricultural districts to these industrial centers. They included many ambitious young persons who, stimulated by the general awakening after the war, left these districts to seek their fortunes in cities. Thus the tendency was towards a concentration of population in cities during these years, as indicated in the statistics given in Tables XI (1) and XI (2) at the end of this chapter.[2]

As the figures in these tables indicate, the rate of increase in the total population of the towns and villages was rather small—smaller, except in 1898, than that in the whole population of the country, and far smaller than the rate of increase in the population of cities. Among towns and villages, the population in those towns whose population is above 10,000 showed a considerable increase.

Let us now consider the number of towns and villages

[1] *Post*, p. 317. [2] *Post*, pp. 318, 319.

whose population is less than 20,000 each (Class No. 1); then those cities whose population is above 20,000 but below 100,000 (Class No. 2) and finally those cities whose population is more than 100,000 each (Class No. 3) with the population of these cities, towns and villages, and then compare them with each other. The rate of increase in the population of the towns and villages of Class No. 1 is smaller than in the case of Classes Nos. 2 and 3, and far smaller than the rate of increase in the whole population of the country. The rate of increase in the population of cities in Class No. 2 was a little larger, and it was largest of all in the case of cities in Class No. 3, as the statistics below indicate:

Towns and Villages Whose Population is Less Than 20,000 (Class No. 1)

Year	Number of towns and villages	Total population	Percentage of number of towns and villages	Percentage of population
1888	71,295	35,874,298	100.0	100.0
1893	15,810	37,275,893	106.0	104.4
1898	13,947	39,384,980	109.0	110.6
1906	13,224	40,974,921	111.0	118.0
1908	12,351	42,430,105	118.0	126.0

Cities Whose Population is 20,000 and More but Less Than 100,000 (Class No. 2)

Year	Number of cities	Population	Percentage of population
1888	50	1,808,726	100
1893	61	2,270,110	120
1898	72	2,520,151	139
1903	80	3,098,251	171
1908	95	3,775,540	208

Cities Whose Population is 100,000 and More (Class No. 3)

Year	Number of cities	Population	Percentage of population
1888	6	2,422,455	100
1893	6	2,514,973	104
1898	8	3,497,910	144
1903	9	4,469,564	185
1908	10	5,536,835	229

The percentage of the whole population of the country means the rate of increase in the whole population of Japan. Observing the above figures in this light, it may be stated that the rate of increase in the population of towns and villages, especially in those of small population, was less than the rate of increase in the whole population of the country. This indicates that the people of these smaller towns and villages were moving to the cities.

The migration of people to cities is a phenomenon which is unavoidable with the advance of society. And the Sino-Japanese War, which brought about a general awakening of the Japanese people, may be considered one of the principal factors which caused the concentration of people in cities in Japan.

TABLE I.—WHOLESALE PRICES IN TOKYO, 1893–1903 [a]

Year	Investigations of the Finance Department				Investigations of the Bank of Japan			
	Foodstuffs	Raw materials	Manufactured articles	Average	Foodstuffs	Raw materials	Manufactured articles	Average
1893.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1894.....	100.3	101.7	100.8	100.9	108.1	109.9	111.9	107.7
1895.....	101.9	109.0	109.5	106.7	117.8	111.2	112.7	113.9
1896.....	124.1	122.6	110.6	119.6	125.4	120.9	122.9	122.7
1897.....	150.0	134.0	112.8	133.5	141.3	147.0	126.7	138.1
1898.....	160.4	136.0	116.6	139.0	146.3	156.8	132.2	144.9
1899.....	145.7	150.3	137.0	144.8	147.9	149.2	137.7	144.7
1900.....	162.5	167.2	145.0	159.1	151.5	156.5	149.4	154.8
1901.....	145.5	164.0	131.5	148.0	149.0	143.6	150.7	147.8
1902.....	150.1	151.7	129.0	144.5	143.2	146.4	143.9	144.5
1903.....	156.5	152.9	128.9	147.2	148.4	168.3	148.1	154.9

[a] Based upon investigations made by the Finance Bureau of the Department of Finance and by the Bank of Japan. The figures prepared by the Finance Bureau show the average price of 31 principal articles of merchandise, and those by the Bank of Japan of 40 articles.

TABLE II.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893–1903 [a]

Raw materials

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Fertilizer	100.0	101.8	109.0	134.5	132.7	151.9	154.1	162.1	146.0	144.7	156.7
Ginned cotton	100.0	99.3	104.4	117.3	120.1	111.5	114.5	135.3	136.7	134.5	134.6
Copper	100.0	110.2	123.5	133.3	146.7	149.3	208.5	218.7	203.2	168.7	181.3
Iron	100.0	114.1	112.9	112.6	137.0	126.7	152.8	179.6	146.8	137.6	131.7
Firewood	100.0	100.8	116.3	127.0	144.8	149.0	155.2	179.2	166.1	174.2	169.3
Charcoal	100.0	95.7	108.5	131.6	147.9	137.2	152.1	181.6	183.2	181.6	169.2
Cotton wadding	100.0	100.0	100.0	118.7	126.4	123.1	128.1	154.0	157.6	145.5	147.0
Raw lacquer	100.0	95.8	91.9	101.6	99.7	104.6	101.6	107.8	100.2	91.4	95.3
Kerosene	100.0	105.3	131.0	134.0	125.2	123.4	152.3	180.3	171.4	157.0	177.9
Sulphur	100.0	89.2	81.2	99.6	132.5	137.8	134.9	131.2	126.9	122.8	125.4
Leather, etc.	100.0	106.1	121.1	138.3	161.5	181.8	199.1	209.8	265.9	210.2	193.4
Average	100.0	101.7	109.0	122.6	134.0	136.0	150.3	167.2	164.0	151.7	152.9

[a] Prepared by the Bureau of Finance.

Foodstuffs

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Refined rice	100.0	119.8	120.4	133.6	162.4	200.7	136.1	162.3	166 6	171.6	176 3
Flour	100.0	97.7	93.8	103.6	146 3	146.9	131.9	131.3	127.9	128.6	148.2
Bean paste	100.0	92.3	103.5	131.2	136.7	178.9	171.9	167.9	144.5	144.3	171.7
Soy	100.0	98.8	97.4	106.5	137 8	115 2	121.1	130.9	128.3	115 5	118.4
Salted articles	100.0	94.3	88.0	144.0	162 7	208 4	105.3	167.2	100.9	176 3	122.1
Salt	100.0	96.4	109.5	193 4	275 9	217.9	184.0	222.3	190.5	188.7	225 2
Sake (refined)	100.0	107.3	118.9	140.8	165 7	191.2	212.4	239.0	240.7	254 4	263 4
Sugar	100.0	97.9	89.2	100.3	115 1	109 4	114 2	118.3	125 3	94 7	113.5
Tea, refined	100.0	104.3	104.7	96.1	106.7	115 8	115 0	119.5	104 5	106 0	113 2
Dried articles	100.0	88.5	76.4	80 9	101 5	135.6	151.2	163 4	126 1	135 3	120 8
Eggs	100.0	105.7	119.2	134 8	139 0	144.0	159.1	165 8	145 7	135 9	149.2
Average	100.0	100.3	101.9	124.1	150.0	160.4	145.7	162.5	145.5	150.1	156.5

TABLE II.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893–1903—*Continued*

Manufactured articles

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Shirting	100.0	115.8	109.3	109.6	114.1	116.7	127.7	142.5	148.5	144.9	143.3
Cotton (momen)	100.0	102.0	107.0	116.3	118.1	111.7	109.9	128.6	128.6	122.4	116.0
Matting	100.0	90.6	103.7	120.9	112.7	110.2	127.9	146.7	155.7	141.8	115.6
Cotton fabrics (tissues)	100.0	100.9	115.5	113.5	112.3	115.0	158.6	142.4	124.4	121.8	132.6
Nails, screws, etc.	100.0	110.0	104.4	103.1	114.3	119.8	127.0	159.6	138.8	122.0	115.7
Floss silk	100.0	99.7	106.0	111.4	125.1	124.6	148.1	164.0	148.7	143.8	150.8
Silk yarn	100.0	93.3	105.0	99.8	100.3	116.7	142.9	139.7	106.7	117.7	125.7
Silk fabric	100.0	100.9	115.5	113.5	112.3	115.0	158.6	142.4	124.4	121.8	132.6
Silk lining	100.0	98.2	115.5	112.7	105.7	112.2	150.0	142.9	112.1	115.3	125.2
Average	100.0	100.8	109.5	110.6	112.8	116.6	137.0	145.0	131.5	129.0	128.9
Grand average	100.0	100.9	106.7	119.6	133.5	139.0	144.8	159.1	148.0	144.5	147.2

TABLE III.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893–1903[a]

Raw materials

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Coal	100.0	130.0	135.4	115.9	169.9	197.3	157.5	161.1	175.2	172.6	152.2
Copper	100.0	110.1	123.2	134.8	145 7	149 3	207.2	217.4	203.6	168.8	179.0
Iron	100.0	123.2	127 2	117.6	150 4	137.6	168 0	187.2	156 8	144.0	142.4
Cotton, ginned	100.0	99.1	108.0	118.6	125.7	115.0	117.7	136.3	137.2	135.4	132.7
Timber	100.0	118.6	145 5	148.5	193 3	197.8	185.8	206.0	188.1	152.2	161.9
Charcoal	100.0	87.2	112.8	157 3	152.1	152.1	151.3	154 7	129.9	133 3	129.9
Firewood	100.0	99.1	114.8	....	148 7	167.8	159.1	167.8	150.0	158.3	144.4
Rice bran	100.0	114 8	123.8	119.7	139 3	166.9	143.4	138 5	125 4	132.0	139.3
Vegetable wax	100.0	106 0	103.6	147.6	147.6	141.7	121.4	119.0	111.9	151 0	247.6
Raw lacquer	100.0	91.1	93.8	99.1	100.9	99.1	92 9	100.9	93.8	86.6	90 2
Nails, etc.	100.0	109.0	105 0	98.2	98 2	96.4	116 2	146.8	136 9	116 2	105.4
Hides, leather	100.0	104.7	118.0	131.3	132 8	143.8	153.9	165.6	156.3	159.4	160.2
Hemp	100.0	107.5	110.8	110.8	123.3	123.3	118.3	135.0	146.7	145.0	158.3
Average	100.0	108.1	117.8	125.4	141.3	146.3	147.9	151.5	149.0	143.2	148.4

[a] Based upon statistics secured by the Bank of Japan, in which the average prices for the month of January, 1887, were taken as 100.

TABLE III.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893–1903—*Continued*

Foodstuffs

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Sake	100.0	121.7	124.1	125.3	153.0	168.7	173.5	188.0	185.5	203.6	209.6
Soy	100.0	106.5	112.0	111.1	122.2	133.3	135.2	144.4	152.8	125.9	128.7
Dried bonito	100.0	114.0	162.3	164.0	221.9	209.6	209.6	223.7	208.8	222.8	225.4
Sugar	100.0	....	109.9	107.7	130.8	150.5	156.0	179.1	165.9	164.8	178.0
Barley	100.0	113.0	109.9	103.1	129.0	194.7	154.2	148.9	131.3	140.5	195.4
Salt	100.0	94.4	112.4	188.8	273.0	215.7	180.9	219.1	186.5	183.2	214.6
Oats	100.0	119.3	107.4	103.7	175.6	196.9	185.2	167.4	151.1	165.9	231.8
Wheat	100.0	100.7	85.1	105.2	135.8	142.5	129.8	138.8	122.4	126.9	169.4
Eggs	100.0	102.5	123.6	134.8	132.3	119.9	115.5	116.8	103.1	101.9	110.6
Tea, refined	100.0	107.8	107.0	100.0	106.9	113.9	113.9	117.4	113.0	120.9	129.6
Bean paste	100.0	106.3	110.3	115.1	145.2	171.4	160.3	169.8	161.1	157.1	167.5
Fowls	100.0	106.8	101.4	124.7	92.5	107.5	125.3	132.9	111.0	115.1	118.5
Flour	100.0	101.6	89.1	104.7	138.0	145.7	131.8	139.5	130.2	129.5	154.3
Average	100.0	109.9	111.2	120.9	147.0	156.8	149.2	156.5	143.6	146.4	168.3

Manufactured articles

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Cotton yarn	100.0	102.7	103.6	112.7	111.8	102.7	110.0	119.1	123.3	120.0	122.7
Shirtings	100.0	119.5	119.0	119.5	119.0	117.2	126.6	132.5	147.3	147.3	140.2
Floss silk	100.0	101.1	109.2	116.1	132.2	137.9	148.3	166.7	149.4	143.7	160.9
Kerosene	100.0	103.4	130.3	132.6	123.6	122.5	151.7	177.5	166.3	153.9	175.3
Cotton (momen)	100.0	106.1	108.8	112.3	99.1	104.4	101.8	114.9	116.7	111.4	111.4
Oil cakes	100.0	106.3	109.2	120.4	126.8	143.0	135 9	145.1	126.1	121.1	142.3
Fertilizer	100.0	100.0	108.3	150.9	134.3	163.9	159.3	164.8	152.8	149.1	160.2
Yarn, spun	100.0	108.0	103.5	107.1	115 0	103 5	112.3	136 3	138.1	128.3	147.8
Japanese tobacco, cut	100.0	100.0	100.9	104.5	122.5	149.5	137.8	132.3	136.0	136.9	155.9
Mattings	100.0	99.3	123.1	140.1	140.1	138.8	140.8	163.9	178.2	168.7	169.4
Oil	100.0	111.6	130.6	157.9	184.3	86.0	183.5	181.8	185.1	174.4	152.9
Linings	100.0	100.0	96.0	102.0	103.0	102.0	105.0	112.9	114.9	114.9	114.9
Silk yarn	100.0	110.1	96.0	102.0	103.0	102.0	105.0	112.9	114.9	114.9	114.9
Plate glass	100.0	106.0	126.3	121.2	122.2	132.3	170.7	175.8	141.5	148.5	166.7
Average	100.0	111.9	106.0	116.2	133.3	143.6	160.7	178.6	226.5	189.7	159.0
Grand average	100.0	107.7	113.9	122.7	138.1	144.9	144.7	154.8	147.8	144.5	154.9

TABLE IV.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN OSAKA, 1893–1903 [a]

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Rice	100.0	122.0	122.3	128.5	157.6	196.4	136.5	160.2	163.6	170.5	194.1
Barley	100.0	113.1	106.6	90.1	127.4	185.2	146.0	134.5	109.9	125.9	182.4
Wheat	100.0	96.8	96.7	120.6	147.1	166.0	148.9	152.1	131.2	134.2	194.1
Soy beans	100.0	105.4	104.2	112.4	144.0	153.4	151.9	159.9	145.6	141.7	154.2
Red beans	100.0	122.3	109.0	84.4	106.9	135.5	139.2	121.2	112.7	148.4	162.7
Soy	100.0	102.6	112.5	124.2	145.4	191.9	198.8	213.3	211.9	212.5	226.5
Sugar	100.0	109.6	91.1	101.3	105.0	109.4	107.7	114.9	128.2	121.3	115.9
Sake	100.0	108.6	119.4	133.7	153.9	211.0	232.3	276.6	264.7	268.3	251.5
Dried bonito	100.0	116.4	163.2	189.1	236.9	221.1	208.5	250.1	302.2	303.2	318.9
Firewood	100.0	101.3	111.7	161.0	162.3	161.3	175.7	211.0	186.3	188.0	175.7
Charcoal	100.0	87.8	93.6	154.6	155.8	109.8	113.1	152.7	163.7	176.5	126.2
Kerosene	100.0	104.3	130.5	135.5	127.2	124.5	152.0	181.8	165.3	151.6	171.5
Cotton, ginned	100.0	94.4	101.4	119.0	123.5	108.2	122.0	136.7	129.0	134.2	134.7
Average	100.0	106.5	112.5	127.3	145.6	159.5	156.4	174.2	170.3	175.1	185.3

[a] Based upon investigations of the Bureau of Finance.

TABLE V.—COMPARISON OF PRICES OF COMMODITIES AND CURRENCY IN CIRCULATION, 1893–1903

Year	Prices of commodities			Average	Index number for currency	Index numbers for Bank of Japan notes and other paper money in circulation
	In Tokyo[a]	In Osaka[a]	In Tokyo[b]			
1893	100.0	100.0	100.0	100.0	100.0	100.0
1894	100.9	106.0	107.7	104.9	103.9	98.5
1895	106.7	111.9	113.9	110.8	118.2	113.0
1896	119.6	126.7	122.7	123.0	125.9	119.4
1897	133.5	144.3	138.1	138.6	138.6	127.1
1898	139.0	159.3	144.9	147.7	119.8	109.0
1899	144.8	156.1	144.7	148.5	141.2	135.6
1900	159.1	173 7	154 8	162 5	133 3	121.7
1901	148.0	173.5	147.8	156.4	128.6	114.0
1902	144.5	173.0	144.5	154.0	136 9	123.6
1903	147.2	181.8	154.9	161.3	138.8	124 0

[a] As investigated by Finance Bureau. [b] As investigated by Bank of Japan.

TABLE VI.—RELATIVE PRICES OF LABOR IN TOKYO, 1893–1903[a]

Trade	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	Average
Carpenters	100.0	100.0	108.4	120.0	133.4	148.2	153.8	168.0	168.0	165.0	170.0	139.5
Sawyers	100.0	108.1	122.8	131.9	144.0	158.4	150.5	194.2	216.0	209.9	209.4	158.7
Plasterers (*sakan*)	100.0	111.4	114.1	117.7	134.1	155.6	146.7	163.8	161.9	168.2	168.2	140.2
Tilers	100.0	114.6	123.1	119.8	139.0	157.9	156.3	175.4	177.1	158.0	149.4	142.9
Roofers	100.0	100.0	109.1	109.1	139.5	144.0	145.5	171.3	166.7	163.6	163.6	137.5
Mat makers	100.0	101.3	101.5	109.7	116.7	122.5	121.3	135.7	119.0	135.7	135.7	118.1
Repairers of old cotton (*watauchi*)	100.0	109.7	113.8	121.3	140.9	168.0	174.7	216.4	226.2	202.2	213.3	162.4
Oil pressers (*aburashibori*)	100.0	102.5	100.0	131.0	138.5	150.0	150.0	157.5	154.0	150.0	164.5	136.2
Shipwrights	100.0	106.7	120.0	127.8	144.4	163.3	155.3	164.0	183.3	182.2	182.2	148.1
Printers	100.0	100.0	113.6	124.1	146.1	146.5	141.2	142.4	151.3	171.9	175.0	141.2
Laborers (*hiraninsoku*)	100.0	125.0	150.0	154.3	143.0	133.3	139.0	150.0	166.7	164.0	166.7	144.7
Firemen (*tobishoku*)	100.0	121.4	142.9	150.0	136.9	128.6	128.6	142.9	157.1	157.1	157.1	138.4
Navvies (*dokata ninsoku*)	100.0	121.4	142.9	150.0	136.9	126.3	128.6	142.9	157.1	157.1	157.1	138.2
Bricklayers	100.0	106.0	100.0	106.0	127.3	129.3	133.5	146.7	135.6	141.5	149.3	125.0
Wheelmakers	100.0	102.5	103.8	123.5	133.9	136.2	141.4	146.6	152.9	157.7	146.2	111.3
Paperhangers	100.0	100.0	111.6	111.6	122.2	139.2	159.1	177.9	166.6	165.1	175.8	139.0
Cabinet makers	100.0	115.8	124.0	133.3	144.4	155.6	155.6	183.3	208.4	211.0	211.0	158.4
Clogmakers	100.0	100.0	112.0	120.0	140.0	140.0	156.8	195.0	190.0	196.8	208.4	150.8
Shoemakers	100.0	130.0	160.0	155.0	130.0	150.0	144.2	150.8	145.8	150.0	....	....
Tailors (Japanese)	100.0	121.1	121.1	121.1	159.7	130.8	128.4	146.5	133.7	146.0	138.5	131.5
Tailors (Foreign)	100.0	110.0	120.0	130.0	140.0	141.4	149.8	152.8	161.6	163.4	170.0	139.9
Lacquering, varnishing, etc. (*nurishi*)	100.0	100.0	127.8	137.1	144.4	147.3	145.3	177.8	168.4	166.7	172.2	144.3
Tobacco cutters	100.0	112.5	104.4	125.0	136.5	143.0	137.5	150.0	153.3	160.5	....	....
Hands for brewing *sake*	100.0	111.1	111.1	157.8	170.4	170.4	185.2	222.2	228.1	240.7	185.2	171.1
Hands for brewing soy	100.0	101.1	109.3	136.0	144.2	144.2	151.2	201.1	194.2	186.0	165.1	148.4
Men servants	100.0	106.0	116.0	134.0	158.0	162.0	164.0	172.0	170.0	164.0	150.0	145.1
Average	100.0	109.2	118.6	129.1	140.2	145.8	147.8	167.2	169.7	170.6	170.2	143.0

[a] Investigated by the Department of Finance.

TABLE VII.—RELATIVE PRICES OF LABOR IN TOKYO, 1893–1903 [a]

Trade	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Carpenters	100.0	100.0	108.4	120.0	133.4	148.4	153.8	162.6	166.6	165.0	170.0
Plasterers (*sakan*)	100.0	106.4	108.9	112.4	128.0	148.5	140.0	161.8	164.2	159.1	161.5
Masons	100.0	100.0	103.8	107.7	76.9	113.1	116.2	135.4	153.8	188.5	182.8
Sawyers	100.0	90.0	90.0	110.0	96.0	113.0	130.0	130.0	165.0	160.0	160.0
Roofers	100.0	100.0	107.6	107.6	139.5	144.0	145.5	154.5	154.5	172.7	172.7
Tilers	100.0	114.6	123.1	119.8	139.0	157.9	156.3	156.3	155.2	127.7	147.5
Mat makers	100.0	101.3	101.5	109.7	116.7	122.5	121.3	102.2	100.0	95.8	95.8
Cabinet makers	100.0	104.2	111.6	120.0	130.0	140.0	170.0	170.0	170.0	170.0	150 0
Joiners	100.0	137.5	150.0	162.5	162.5	150.0	162.5	189.5	184.5	184.5	177.0
Tailors (Japanese)	100.0	122.2	122.2	122.2	161.1	132.0	129.5	137.3	141.4	150.0	145.3
Smiths	100.0	103.1	106.2	100.0	96.2	80.0	90.8	100.9	96.3	92.0	94.3
Lacquerers	100.0	100.0	127.8	137.1	144.4	147.3	145.3	177.8	168.4	166.7	172.2
Hands for soy brewing	100.0	112.0	144.0	176.1	200.0	240.0	240.0	182.0	177.3	156.0	144.0
Hands for oil pressing	100.0	100.0	97.6	127.8	136.1	146.3	146.3	153.7	150 0	146.3	160.5
Repairers of old cotton (*wat-auchi*)	100.0	101.2	104.5	111.9	129.9	154.5	161.1	204.5	215.1	195.0	195.0
Tobacco cutters	100.0	100.0	150.0	150.0	133.3	170.0	200.0	266.7	300.0	316.7	300.0
Printers	100.0	99.1	103.8	132.1	103.8	120.4	122.6	122.6	119.4	99.6	108.5
Shipwrights	100.0	100.0	112.5	119.8	135.4	153.1	145.6	170.8	170.8	170.8	170 8
Gardeners	100.0	100.0	114.3	114.3	114.3	132.9	137.1	175.7	171.4	175.2	175.1
Paper-mill hands	100.0	97.7	97.7	136.7	136.7	162.5	....	175.8	156.3	156.3	154.3
Casters	100.0	133.9	133.9	103.6	104.5	96.4	100.0	102.7	94.3	105.4	106 3
Firemen (*tobishoku*)	100.0	121.4	142.9	150.0	136.9	128.6	128.6	142.9	157.1	157.1	157.1
Navvies (*dokata*)	100.0	141.7	166.7	175.0	159.7	150.0	150.0	166.7	183.3	183.3	183 3
Laborers (*hiraninsoku*)	100.0	133.9	160.7	165.4	153.2	142.9	148.9	160.7	178.6	175.7	178 6
Average	100.0	108.3	121.7	126.7	133.3	143.9	148.4	155.6	162.6	160.2	160.5

[a] Investigated by the Bank of Japan.

TABLE VIII—RELATIVE PRICES OF LABOR IN OSAKA, 1893–1903 [a]

Trade	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	Average
Carpenters	100.0	100.0	125.0	171.9	187.5	174.4	203.1	203.1	213.4	226.6	226.6	175.6
Sawyers	100.0	112.0	114.3	126.3	130.9	142.9	145.1	157.1	157.1	157.1	157.1	136.4
Plasterers (*sakan*)	100.0	102.4	120.5	143.4	166.1	155.3	158.9	165.5	167.3	190.8	201.5	152.0
Tilers	100.0	137.5	175.0	175.0	225.0	212.5	220.8	218.8	206.3	206.3	225.0	191.1
Casters	100.0	100.0	106.3	117.8	134.5	125.0	125.0	125.0	118.8	125.0	150.0	120.7
Roofers	100.0	100.0	124.1	173.8	186.2	193.1	206.9	215.5	211.4	215.5	241.4	178.9
Shipwrights	100.0	114.5	127.4	168.1	181.4	176.0	189.3	205.0	191.8	202.5	220.8	170.6
Repairers of old cotton (*watauchi*)	100.0	105.4	106.5	124.4	138.6	131.5	142.0	142.0	137.2	149.1	132.1	128.1
Paperhangers	100.0	140.0	176.8	144.0	210.0	253.2	273.2	266.8	261.6	253.2	260.0	112.6
Printers	100.0	148.0	140.0	140.0	156.8	172.0	170.0	180.0	165.2	180.0	200.0	159.3
Mat makers	100.0	118.2	118.2	120.2	120.2	78.2	79.4	100.8	101.6	115.9	110.9	96.7
Navvies	100.0	100.0	120.7	124.1	138.0	121.7	138.0	138.0	138.0	142.4	186.9	131.6
Firemen (*tobishoku*)	100.0	116.7	133.3	166.7	191.7	233.3	222.0	241.7	233.3	233.3	233.3	190.4
Laborers (*hiraninsoku*)	100.0	100.0	128.0	128.0	180.0	190.0	160.0	190.0	180.0	180.0	180.0	156.0
Lacquerers, varnishers, etc	100.0	100.0	140.0	140.0	180.0	180.0	203.2	210.0	201.6	196.8	190.0	167.4
Dyers	100.0	100.0	120.0	140.0	150.0	190.0	185.2	182.0	162.4	169.6	175.0	152.2
Bricklayers	100.0	105.6	113.9	143.3	162.5	183.3	208.3	185.0	216.1	204.4	210.0	166.6
Hands for oil pressing	100.0	102.2	115.6	133.3	162.2	146.2	126.7	136.9	157.3	147.1	150.2	134.3
Tobacco cutters	100.0	118.4	118.4	144.7	157.9	157.8	138.2	144.7	184.2	206.6	....	....
Clogmakers	100.0	103.3	112.5	125.0	162.5	162.5	162.5	162.5	160.5	151.0	156.3	141.7
Shoemakers	100.0	98.4	114.8	131.1	150.1	163.3	169.5	177.0	180.3	180.3	188.5	150.3
Smiths	100.0	100.0	120.0	130.0	150.0	146.6	150.0	145.0	130.0	130.0	158.4	132.7
Gardeners	100.0	110.0	122.8	149.0	160.2	186.5	192.3	192.3	204.5	192.3	208.4	165.3
Joiners	100.0	125.0	125.0	125.0	150.0	143.8	137.5	162.5	150.0	150.0	150.0	138.1
Tailors (Japanese)	100.0	100.0	137.6	162.6	175.0	175.0	131.6	120.5	107.4	106.8	111.8	129.8
Tailors (foreign)	100.0	237.0	370.4	237.0	237.0	268.5	240.7	308.7	359.3	219.3	324.1	254.7

[a] Investigated by the Department of Finance.

Confectioners	100.0	100.0	100.0	106.7	113.3	146.6	152.0	206.0	166.7	200.0	233.3	147.7
Cabinet makers	100.0	122.2	157.3	192.6	165.8	127.8	105.6	133.3	133.3	133.3	133.3	136.8
Wheelmakers	100.0	133.3	175.0	202.7	197.3	121.0	164.0	187.7	134.3	129.0	144.3	153.5
Hands for brewing *sake*	100.0	100.0	111.2	124.8	186.5	261.8	315.8	432.6	284.3	329.2	427.0	243.0
Tinworkers	100.0	125.0	175.0	150.0	175.0	219.0	187.5	231.5	224.0	231.5	254.0	188.4
Masons	100.0	114.0	130.0	130.0	156.6	170.0	170.0	179.2	170.5	170.0	170.0	150.9
Embroiderers	100.0	100.0	100.0	116.7	116.7	132.0	133.3	136.0	152.7	168.0	171.0	129.7
Barbers	100.0	119.8	149.3	149.3	152.2	167.9	130.6	121.3	130.6	129.0	124.3	132.5
Rice cleaners	100.0	110.5	139.8	159.7	205.7	215.2	203.7	238 2	237.2	236.6	246.6	190.3
Bag, casket makers	100.0	91.7	91.7	113.5	140.4	134.8	136.9	136.9	130.2	140.4	136.9	123.0
Engravers	100.0	100.0	100.0	100.0	130.0	140.0	130.0	160.0	160.0	160.0	170.0	131.8
Binders, book (middle grade of a class)	100.0	100.0	107.4	107.4	123 0	130.9	149.8	195.9	149.8	174.6	203.7	140.2
Bag makers	100.0	79.9	98.3	104.7	89 9	104 7	121.8	105 0	121.8	128 5	178.8	112.1
Harness makers	100.0	100.0	133 3	133 3	166.7	166 7	166 7	166 7	166.7	183 3	191.7	152.3
Painters	100.0	114.8	134.1	157 4	190.0	252 9	248.5	277.8	267.0	245.2	260 7	204.4
Men servants	100.0	100.0	134.0	134.0	134.0	134.0	134.0	150.0	216.0	222.0	266.0	156.7
Women servants	100.0	106.5	125.8	125.8	161.3	161 3	167.7	161 3	267.7	241.9	296 8	174.2
Average	100.0	111.9	133.3	141.7	161.6	168 6	169.4	183.6	179.3	182.3	199.0	154.8

TABLE IX.—RELATIVE PRICES OF NECESSARIES IN TOKYO, 1893–1903

	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Refined rice	100.0	119.8	120.4	133.6	162.4	200.7	136.1	162.3	166.6	171.6	177.3
Wheat	100.0	97.7	93.8	103.6	146.3	146.9	131.9	131.3	127.9	128.6	148.2
Bean paste	100.0	119.3	103.5	131.2	136.7	178.9	171.9	167.9	144.5	144.3	171.7
Soy	100.0	98.8	97.4	106.5	137.8	115.2	121.1	130.9	128.3	115.5	118.4
Pickles	100.0	94.3	88.0	144.0	162.7	208.4	105.3	167.2	100.9	176.3	122.1
Salt	100.0	96.4	109.5	193.4	275.9	217.9	184.0	222.3	190.5	188.7	225.2
Refined tea	100.0	104.3	104.7	96.1	106.7	115.8	115.0	119.5	104.5	106.0	113.2
Seishu (refined *sake*)	100.0	107.3	118.9	140.8	165.7	191.2	212.4	239.0	204.7	254.4	263.4
Sugar	100.0	97.9	89.2	100.3	115.1	109.4	114.2	118.3	125.3	94.7	113.5
Cotton wadding	100.0	100.0	100.0	118.7	126.4	123.1	128.1	154.0	157.6	145.5	147.0
Shirting	100.0	115.8	109.3	109.6	114.1	116.7	127.7	142.5	148.5	144.9	143.3
Cotton (*momen*)	100.0	102.0	107.0	116.3	118.1	111.7	109.9	128.6	128.6	122.4	116.0
Matting	100.0	90.6	103.7	120.9	112.7	110.2	127.9	146.7	155.7	101.8	115.6
Firewood	100.0	100.8	116.3	127.0	144.8	149.0	155.2	179.2	166.1	174.2	169.3
Charcoal	100.0	95.7	108.5	131.6	147.9	137.2	152.1	181.6	183.2	181.6	169.2
Kerosene	100.0	105.3	131.0	134.0	125.2	123.4	152.3	180.3	161.4	157.0	177.9
Average	100.0	101.2	106.3	125.5	143.7	147.2	140.3	160.7	152.5	153.0	155.7
Price of labor	100.0	109.2	118.6	129.1	140.2	145.8	147.8	176.2	169.7	170.6	170.2

TABLE X.—TAXATION, 1893–1903 [a]

Year	Taxes					Population [b]	Tax per capita	Percentage of increase of tax per capita
	State	Prefectural (fu and ken)	Municipal, town and village	Total	Percentage in total increase			
	Yen	*Yen*	*Yen*	*Yen*			*Yen*	
1893	70,004,763	16,710,884	1,627,288	88,342,935	100 0	41,388,313	2.135	100.0
1894	71,286,579	17,146,864	1,902,271	90,335,714	102.3	41,813,215	2.160	101 2
1895	74,697,623	18,024,523	2,249,246	94,971,392	107.5	42,270,620	2.247	105.2
1896	76,387,561	22,934,974	2,675,785	101,998,320	115.5	42,708,264	2.388	111.9
1897	95,204,991	24,809,484	3,480,535	123,495,010	139.8	43,238,863	2.857	133.8
1898	102,775,449	31,452,473	4,649,917	138,877,889	157.2	43,763,855	3.173	148.6
1899	133,594,075	37,057,018	6,291,000	176,942,093	200.3	44,270,495	3.997	187 2
1900	141,170,254	39,806,190	9,932,782	190,909,226	216.1	44,825,597	4.259	199.5
1901	150,441,508	43,714,302	11,273,221	205,429,031	232.5	45,446,369	4.520	211.7
1902	163,452,518	47,174,975	11,736,448	222,363,941	251.7	46,041,768	4.830	226.2
1903	161,061,654	44,970,426	12,126,668	218,158,748	247.0	46,732,876	4.668	218.6

[a] State taxes refer to national taxes as well as profit from the business of the government monopoly bureau, while prefectural, town and village taxes refer to additional taxes raised, together with state taxes, and also special taxes raised for these local communities. Population means the number of permanent residents at the end of each year.

[b] At close of year.

TABLE XI (1).—POPULATION IN TOWNS AND VILLAGES, 1893–1908 [a]

Year	Cities		Towns and villages		Total population of Japan	
	Population	Percentage	Population	Percentage	Population	Percentage
1893	4,634,648	100.0	37,426,328	100.0	42,060,976	100.0
1894	4,764,749	102.8	37,666,236	100.6	42,430,985	101.0
1895	4,891,919	105.6	38,156,307	102.0	43,048,226	102.3
1896	4,995,845	107.8	38,503,988	102.9	43,499,833	103.2
1897	5,350,908	115.5	38,627,587	103.2	43,978,495	104.4
1898	5,703,366	123.1	39,699,675	106.1	45,403,041	105.9
1903	6,901,253	148.9	41,641,483	111.3	48,542,736	113.0
1908	8,229,947	177.6	43,511,906	116.3	51,741,853	130.7

[a] Prepared by the Bureau of Statistics of the Cabinet.

TABLE XI (2).—POPULATION IN TOWNS AND VILLAGES, 1893–1900 [a]

Year	Cities		Towns and villages						Grand total		Percentage of total population	
			Over 10,000		Under 10,000		Total					
	Population	Percentage	Population	Percentage	Population	Percentage	Population	Percentage	Population	Percentage	Cities	Towns and villages
1893	4,634,648	100 0	2,082,186	100 0	35,344,142	100 0	37,426,328	100 0	42,060,976	100 0	11	89
1894	4,704,749	102 8	2,187,499	105 1	35,478,737	100 4	37,666,236	100 6	42,430,985	101 0	11	89
1895	4,891,919	105 6	2,267,097	108 9	35,888,400	101 5	38,156,307	102 0	43,048,226	102 3	11	89
1896	4,995,845	107 8	2,354,976	113 1	36,149,012	102 3	38,503,988	102 9	43,499,833	103 2	11	89
1897	5,350,908	115 5	2,271,855	109 1	36,355,732	102 9	38,627,587	103 2	43,978,495	104 4	12	88
1898	5,703,366	123 1	2,397,825	115 2	37,301,859	105 5	39,699,675	106 1	45,403,041	105 9	13	87
1899	6,901,253	148 9	3,091,196	148 5	38,550,287	109 1	41,641,483	111 3	48,542,736	113 0	14	86
1900	8,229,947	177 6	4,668,634	224 2	38,843,272	109 9	43,511,906	116 3	51,741,853	130 7	16	84

[a] Prepared by the Bureau of Statistics of the Cabinet.

CHAPTER IX

CONCLUSION

The Sino-Japanese War was begun on July 25, 1894, and on April 17 of the next year a treaty of peace was concluded. We have discussed in the foregoing chapters the effects of the war, especially as to expenditure and economic phases in general. It is not necessary to add more. Yet, on reflection, we note two or three points which may be especially dwelt upon in generalizing upon the phenomena which have here been presented—in particular the age-long weakness of China as exposed by this war and the awakening of Japan which followed the conflict.

Prior to the Sino-Japanese War, the various nations of the world had regarded China as a powerful nation and one not to be held in contempt. There was a general belief in her fighting strength, and because she had the Manchurian cavalry on land and the Peiyang fleet at sea at the beginning of the war, they thought Japan would certainly be defeated. But after the commencement of hostilities, China suffered one defeat after another, and the dignity of that great Empire of forty centuries was completely lost. The "sleeping lion" at last became the "lion that does not awaken." What a tragic state of affairs! Thereafter, the "lion that does not awaken," with her mild climate, rich natural resources, and dense population, became the center of attraction for the world. There followed, in quick succession, the acquisition of important concessions—Kiaochow Bay by Germany (March 6, 1898), Port Arthur and Dairen by Russia (March 27, 1898), Weihaiwei and Kow-loon extension by England (June 1 and 6, 1898, respectively), and Kwangchow by France (November 16, 1899). The acquisition of a concession by one nation became the excuse for another nation to demand one also, and the latter an excuse for more demands on the part of the first. The European Powers were not satisfied

with the mere establishment of a concession, but concluded treaties for the nonalienation of territory, thereby establishing so-called "spheres of influence." At last came the declaration by America, in 1899, of the principle of the "open door" and "equality of opportunity" in China. The principle of the balance of power in Europe brought about a new situation in the Orient. This was a by-product of the Sino-Japanese War. Japan had to face this new situation, besides undertaking various post-bellum enterprises. The consequences of the Sino-Japanese War were indeed serious.

Now Japan began to realize her national strength, and in view of the changed conditions in the Orient after the war, planned the development of the national forces by starting various ambitious undertakings quietly and with united efforts. As a result, (1) expenditures increased, and (2) consequently the taxes of the people increased, (3) the currency was inflated, owing to the various government post-bellum undertakings and the initiation of private enterprises, and (4) the prices of commodities rose suddenly. These were the noteworthy features. We shall show below the changed percentages as calculated on the basis of the year 1887—the next year after the resumption of converting notes into specie.

By the following table, we may ascertain the various changes which took place from 1887 to 1903. With 1894–1895 as the limit, we notice especially that there have been extraordinary changes in all the various items except population. Before the war, the fluctuation was generally very slight, but since the war there have been extraordinary fluctuations. This was the result of the people's changed conceptions of Japan's position in the Orient, which materialized in the ambitious post-bellum enterprises heretofore described. We consider these changes as a sign of extraordinary development.

Thus after the war the phenomena of social life completely changed from ante-war times. Society assumed an entirely new aspect, as if completely revolutionized. In other words,

FISCAL STATISTICS IN ANNUAL PERCENTAGES, 1887–1905 [a]

Year	Expenditure	Tax revenue	Currency in circulation[a]	Average price of commodities	Increase in population[b]
1887....	100.0	100.0	100.8	102.1	100.0
1888....	102.6	97.7	105.2	107.9	101.4
1889....	100.3	107.6	111.0	111.7	102.5
1890....	103.4	99.2	103.4	114.4	103.5
1891....	105.2	97.2	106.2	110.4	104.3
1892....	96.6	101.4	109.2	114.6	105.2
1893....	106.5	105.7	120.1	118.1	105.9
1894[c]...	98.3	107.6	124.8	127.2	107.0
1895[d]...	107.4	112.7	142.0	134.4	108.3
1896....	212.5	115.9	151.3	145.1	109.3
1897....	281.5	143.7	166.4	163.1	110.6
1898....	276.6	155.1	143.8	171.1	112.1
1899....	319.9	201.6	169.6	170.9	112.8
1900....	368.5	213.1	160.2	182.8	114.4
1901....	335.9	227.1	154.5	174.5	116.3
1902....	364.0	246.7	164.5	170.6	117.9
1903....	314.1	243.1	166.8	182.8	119.7
1904[e]...	758.2	530.7	256.1	233.0	125.0
1905[f]...	736.8	581.8	306.3	232.1	131.7

[a] The percentage of the expenditure means the total amount of expenditure (net amount); the percentage of revenue from taxes means the revenue from taxes and the revenue from the profits of the monopoly bureaus. The percentage of currency was based upon the standard at the end of 1886, the percentage of prices of commodities on the average wholesale prices of forty of the principal kinds of merchandise sold in Tokyo in January, 1877, and the percentage of population means the population as registered at the appointed places of registry.

[b] At close of year.
[c] Beginning of Sino-Japanese War.
[d] Ending of Sino-Japanese War.
[e] Beginning of Russo-Japanese War.
[f] Ending of Russo-Japanese War.

the Sino-Japanese War marked a new period, in which the aggressive spirit of the nation so notably shown in the period of the Restoration of Meiji had taken on new life after twenty-five years of quiet, and was now to replenish the national forces at home and develop her credit abroad. Furthermore, the remarkable development of the nation within so short a period was largely due to the spirit of enterprise shown soon after the close of the war. So the effects of the war as presented in the foregoing chapters really embody the history of Japan's economic development after the Sino-Japanese War.

What we regret is the fact that the policy of the Japanese Government was not more carefully considered, since it was on account of the extreme haste to meet the new situation that the currency was inflated, the burdens of taxation were

extraordinarily increased, and the prices of goods went up; consequently, while the income of the people generally increased in due proportion, the government undertakings did not fully meet the need of improving the living conditions of the people. Fortunately, however, the people generally showed a sincere devotion to the country and were not seriously indignant because their living conditions did not improve *pari passu* with the financial and economic development of the nation. No serious social or political problems arose at this time. This fact should be set forth in bold-faced type in discussing the economic effects of the war.

In short, the economic development after the Sino-Japanese War was in general so extraordinary that the phenomena which attracted attention before the war were no longer noticeable. But under all this apparent prosperity there was running a dangerous undercurrent, viz., the aforementioned rise in the prices of commodities, the inflation of the currency, and the extraordinary increase in the government's revenues and expenditures as well as in taxes. Thus we must not forget that the effects of the war upon the economic world had a dark as well as a bright side. The bright side shone as the people endeavored to utilize wisely the effects of the war in meeting the new situation. The dark side was inevitable from the passing condition of our economic world, the evils resulting from the period of inconvertible notes, which had just been tided over, having reasserted themselves as a by-product of the post-bellum upheaval of economics. That the war was the cause of all this cannot be denied. But the nature of our economic world and the economic policies pursued in Japan were, needless to reiterate, still more responsible for such a state of things. The Sino-Japanese War was, indeed, a test of our national strength and resulted in the self-realization and awakening of the nation, thereby bringing in its train a notable economic development. But there have been many examples in history of the downfall of mighty empires even while enjoying great prosperity, such as Alexander the Great, the Roman Empire, etc. Indeed,

war is not a true cause of national greatness, nor victory in war a sure means of bringing about such greatness. On the contrary, there must be an irresistible rise in nationalism to wage a victorious war, which will prove only the first step in the advancement toward an ideal goal. The Sino-Japanese War was no more, no less than that, and it is far from our desire to extol the material and moral effects of war.

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